

CITY OF SISTERS, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2012



Prepared by:
The City of Sisters
Finance Department
Lisa Young

THIS PAGE INTENTIONALLY LEFT BLANK



CITY OF SISTERS, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2012

TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Transmittal Letter	i - v
Officials of the City	vi
Organizational Chart	vii
Certificate of Achievement	viii
<u>FINANCIAL SECTION</u>	
INDEPENDENT AUDITOR'S REPORT	A - B
MANAGEMENT'S DISCUSSION AND ANALYSIS	a - k
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Governmental Funds:	3
Balance Sheet	4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Statement of Revenues, Expenditures, and Changes In Fund Balance – Budget and Actual	
General	8
Street	9
Proprietary Funds:	10
Statement of Net Assets	11
Statement of Revenues, Expenses, and Changes in Fund Net Assets	12
Statement of Cash Flows	13 - 14
Notes to the Basic Financial Statements	15 - 34
SUPPLEMENTAL INFORMATION	
Combining Statements – Non-Major Governmental Funds:	35
Combining Balance Sheet	36
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	37

	<u>Page</u>
Combining Statements – Combined General Fund:	
Combining Balance Sheet	38
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	39
Budgetary Comparison Schedules:	40
Schedule of Expenditures and Transfers – Budget and Actual (NON-GAAP BUDGETARY BASIS), By Department:	41
General Fund	42
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
Governmental Funds:	43
Capital Project Funds:	
Transportation SDC	44
Park SDC	45
Parking District	46
Special Revenue Funds:	
Urban Renewal Project	47
Reserve (sub-fund of the General Fund)	48
Debt Service Funds:	
City Hall Debt Service	49
Urban Renewal Debt Service	50
Proprietary Funds:	51
Enterprise Funds:	
All Water Funds:	
Water	52
Water SDC	53
Reconciliation to Generally Accepted Accounting Principles	54
All Sewer Funds:	
Sewer	55
Sewer SDC	56
Reconciliation to Generally Accepted Accounting Principles	57
Other Financial Schedules:	
Schedule of Outstanding Debt Principal and Interest Transactions	58
Schedule of Governmental Activities Debt Service Future Requirements	59
Schedule of Business-Type Activities Debt Service Future Requirements	
Revenue Bonds Payable	60
Loans Payable	61

STATISTICAL SECTION

Net Assets By Component – Last Nine Fiscal Years	62
Changes in Net Assets – Last Nine Fiscal Years	63 - 64
Fund Balances, Governmental Funds – Last Nine Fiscal Years	65
Changes in Fund Balances, Governmental Funds – Last Nine Fiscal Years	66
Program Revenues by Function/Program – Last Nine Fiscal Years	67
Tax Revenues by Source, Governmental Funds – Last Ten Fiscal Years	68
Assessed Valuation and Actual Values of Taxable Property – Last Ten Fiscal Years	69
Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years	70
Property Tax Levies and Collections – Last Ten Fiscal Years	71
Principal Taxpayers – January 1, 2012 and December 31, 2002	72

Ratios of Outstanding Debt By Type – Last Ten Fiscal Years	73
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years	74
Legal Debt Margin Information – Last Ten Fiscal Years	75 - 76
Demographic and Economic Statistics – Last Ten Fiscal Years	77
Principal Employers – Current and Nine Years Ago	78
Full Time Equivalent City Employees	
by Function/Program – Last Nine Fiscal Years	79
Operating Indicators by Function/Program – Last Nine Fiscal Years	80
Capital Asset and Infrastructure Statistics by Function/Program – Last Nine Fiscal Years	81

**REPORTS OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS**

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS	82 - 83
--	---------

GOVERNMENT AUDITING STANDARDS COMPLIANCE REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	84 - 85
--	---------

THIS PAGE INTENTIONALLY LEFT BLANK



INTRODUCTORY SECTION

THIS PAGE INTENTIONALLY LEFT BLANK





November 7, 2012

Honorable Mayor Lon Kellstrom,
Members of the Governing Council, and
Citizens of the City of Sisters, Oregon

The Comprehensive Annual Financial Report (CAFR) of the City of Sisters, Oregon (the City) for the fiscal year ended June 30, 2012 is hereby submitted.

This report presents the financial position of the City as of June 30, 2012 and the results of its operations and cash flows for its proprietary fund types for the year then ended. The financial statements and supporting schedules have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and meet the requirements of the standards as prescribed by the Secretary of State. We believe the data, as presented, are accurate in all material respects and presented in a manner designed to fairly set forth the financial position and results of operations of the various funds of the City.

The accuracy of the City's financial statements and the completeness and fairness of their presentation is the responsibility of City management. The City maintains a system of internal accounting controls designed to provide a reasonable assurance that assets are safeguarded against loss or unauthorized use and that financial records can be relied upon to produce financial statements in accordance with GAAP. The concept of reasonable assurance recognizes that the cost of maintaining the system of internal accounting controls should not exceed benefits likely to be derived.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The City's MD&A is located immediately following the report of the independent auditors, beginning on page a.

Profile of the Government

The City of Sisters (City), incorporated in 1946, is located at the foot of the eastern slope of the Cascades in Central Oregon, 136 miles southeast of Portland and 20 miles west of Bend and Redmond. It currently occupies 1,132 acres and serves a population of 2,055, numerous rural subdivisions and outlying ranches surround the city and contribute to a population of the “Greater Sisters Country” in the range of 10,000 to 12,000 people.

The City of Sisters operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council (City Council) consisting of the mayor and four other members, all elected on a non-partisan basis to terms of two to four years. The City Council appoints a city manager, who in turn appoints the heads of the various departments. The City Manager implements policy set by the City Council and oversees city operations. The City provides a full range of services, including general administration; water, sewer and street utilities; planning and community development; and parks and some recreational activities. The City also manages the Sisters Urban Renewal District which is overseen by the City Council acting as the governing body for the Sisters Urban Renewal Agency. The Agency has the following funds: Urban Renewal Debt Service Fund and Urban Renewal Project Fund. The City Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget services as the foundation for the City’s financial planning and control. The budget is prepared by fund, category (e.g., personnel services, material & services, capital outlay) and the General Fund by department (e.g., council-manager, finance & administration, parks, police, community development, maintenance, etc.)

Local Economy

Sisters was first settled as Camp Polk, a military outpost located along the banks of (now) Whychus Creek, in the late 1800’s and renamed. In the early 1900’s, the town was relocated to its current location. For decades, the main economic activity of the town was to supply and support wagon travel over the Cascades between Central Oregon and the Willamette Valley. By the mid-1900’s ranching and logging were the predominant economic activities in the town of Sisters which incorporated in 1946. By the 1960’s, Oregon’s economy began to shift toward recreation and tourism to supplement a dwindling natural resources base. Locally, Black Butte Ranch was platted at the site of the former Brooks-Scanlon logging camp northwest of Sisters. A strategic decision was made to utilize Sisters as the commercial town center for this new destination resort and seed money was created to support a newly established western theme for the town.

Today, recreation and tourism comprise the economic foundation of the city of Sisters which is well known for its annual Sisters Rodeo, one of the oldest continuously operating rodeos in the nation; and for the internationally famous Sisters Outdoor Quilt Show which draws tens of

thousands of visitors to Sisters on a single day. The Sisters Starry Nights Concert Series and the Sisters Folk Festival have become signature music events. The Village Green craft shows, Bead Stampede, Sisters Antique Show Western and Native Arts Show, Harvest Faire and Sisters in Sisters, all draw numerous visitors to Sisters annually. With numerous art galleries and Art Walks, Sisters is has also become an active arts-based community celebrating and honoring its western heritage.

Community Vision and Goals

In the five-year period between 2002 and 2007, the city's population doubled from 911 to 1,825, fueled by the construction of the city's first municipal sewer system and the rapid growth and expansion in the central Oregon real estate market. If not an unprecedented rate of growth for the population, it was a dynamic period of time in the city's history.

Keeping pace with such rapid growth takes planning and effective financial management. In 2005 and 2006, through the stewardship of the Community Action Team of Sisters (CATS) a community vision for Sisters was created. In 2007, the Sisters Country Vision Statement was adopted by every community institution including the City of Sisters, Sisters School District, Sisters Park and Recreation District, Sisters-Camp Sherman Fire Protection District, Sisters Area Chamber of Commerce, Sisters Ranger District, and others. The vision statement created a single blueprint of how the city would grow, develop and evolve over time.

In 2009, the City Council approved the following long term goals designed to integrate the City's Comprehensive Plan, adopted in 2005, with the Sisters County Vision Statement.

- *To have a strong and effective planning process that enhances livability, provides for orderly and sustainable growth, and that honors and preserves Sisters' western village character.*
- *To protect and celebrate the natural majestic beauty that surrounds us, sustains us, gives us our community identity, and is where we recreate.*
- *To support our citizens through diverse economic sectors that reflect their identity, values and interests, and to provide for their well being.*
- *To create and foster opportunities where Sisters Country citizens can easily participate in civic affairs, be active and informed, and partner in community leadership.*
- *To be a professionally managed and innovative municipal government committed to promoting trust and providing the highest quality of city services.*

Long-term Financial Planning

With a vision and long term goals set for the city, effective financial management means the City focuses on financial sustainability and maintaining high service levels. Continuing a tradition of conservative and strategic spending, the City is in a good position financially for the next fiscal year and is weathering the current economic crisis quite well.

The City's on-going financial planning includes maintaining a five-year financial forecast and a five year capital improvement plan based on various strategic plans and reports including a transportation system plan, water and sewer master plans, water rights master plan, water conservation and management plan, utility rate studies and system development charge updates. Developing and utilizing these plans, enhances the City's ability to address future needs in a proactive and measured approach.

Financial Information

Management of the City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft, misuse and to ensure that adequate accounting data are compiled to allow for the preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sisters for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of a state and local financial report. This was the 3rd year that the City received this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to the program standards.

A Certificate of Achievement is valid for a period of one year only. We believe our current report conforms to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for a 4th certificate.

Letter of Transmittal, Continued

Other Information

Independent Audit – The State of Oregon requires an annual audit of the books of accounts, financial records and transactions of all administrative departments of the City by independent certified public accountants selected by the City Council. The firm, Dickey and Tremper, LLP was selected. This requirement had been complied with and the auditor’s opinion had been included in this report.

Acknowledgements

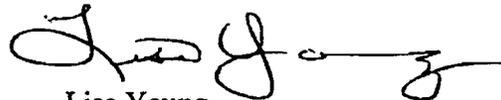
The preparation of the annual Financial Report was a combined effort of the dedicated staff in the Finance Department under the direction of Lisa Young. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. We also acknowledge the efforts of other departments who provided information that helped to make the report far more than a presentation of financial statements.

In closing, we acknowledge the Sisters City Council for its continued support and leadership in managing the financial affairs of the City in a responsible and progressive manner.

Sincerely,



Eileen Stein
City Manager



Lisa Young
Finance and Administrative Director

THIS PAGE INTENTIONALLY LEFT BLANK





CITY OF SISTERS, OREGON

FISCAL YEAR ENDING JUNE 30, 2012

ELECTED OFFICIALS OF THE CITY

<u>Name</u>	<u>Position</u>	<u>Terms</u>
Lon Kellstrom	Mayor	December, 2012
David Asson	Council President	December, 2014
Wendy Holzman	Council Member	December, 2014
Pat Thompson	Council Member	December, 2012
Sharlene Weed	Council Member	December, 2012

CITY STAFF

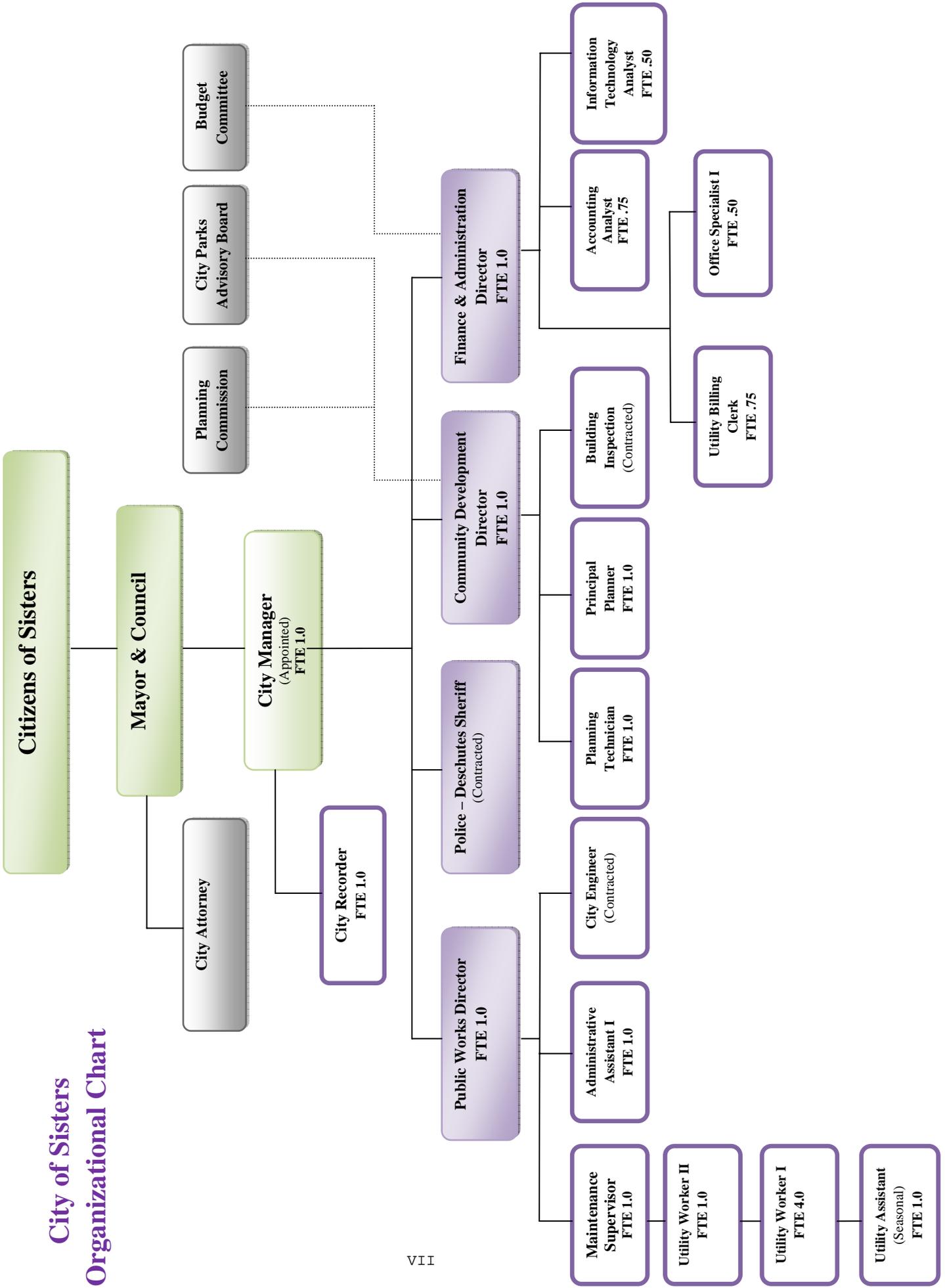
<u>Name</u>	<u>Position</u>
Eileen Stein.....	City Manager
Lisa Young.....	Finance & Administration Director
Paul Bertagna.....	Public Works Director
Pauline Hardie.....	Community Development Director
Richard Nored	City Engineer
Kathy Nelson.....	City Recorder
Steve Bryant.....	City Attorney

MAIL ADDRESS

520 E. Cascade Ave.
P.O. Box 39
Sisters, Oregon 97759

www.ci.sisters.or.us

City of Sisters Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sisters
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morrell

President

Jeffrey R. Emmer

Executive Director

THIS PAGE INTENTIONALLY LEFT BLANK



FINANCIAL SECTION

THIS PAGE INTENTIONALLY LEFT BLANK





Dickey and Tremper, LLP
Certified Public Accountants and Business Advisors

110 SE First Street
P.O. Box 1533
Pendleton, OR 97801
Phone: (541) 276-6862
Toll Free: 1-800-332-6862
Fax: (541) 276-9040
Web: www.dickeyandtremper.com

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Sisters, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sisters, Oregon, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sisters, Oregon, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the General and Street Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2012, on our consideration of the City of Sisters, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A

INDEPENDENT AUDITOR'S REPORT (Continued)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages a through k be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sisters, Oregon's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, other financial schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and other financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Dickey and Tremper, LLP
Dickey and Tremper, LLP
Certified Public Accountants

November 2, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

THIS PAGE INTENTIONALLY LEFT BLANK



CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2012

The Management's Discussion and Analysis (MD&A) section of the City of Sisters' (City) financial statements presents a narrative overview and analysis of the financial activities for the fiscal year ending June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we furnished in our letter of transmittal, which can be found on pages i to v of this report.

FINANCIAL HIGHLIGHTS

Government-wide

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$24.8 million (reported as net assets). This is a \$299,776 increase over the prior year.
- The net assets balance of \$24.8 million is composed of investments in capital assets such as buildings, infrastructure, roads (\$19.4 million), restricted amounts for future capital projects and debt service (\$2.5 million) and an unrestricted balance (\$2.9 million). The unrestricted balance is available for use to meet the City's on-going obligations to citizens and creditors. The unrestricted balance increased by \$13,154 during the fiscal year.

Fund Level

- The City's governmental funds report a combined fund balance of \$3.4 million, an increase of \$26,427 from last year. The majority of the \$3.4 million combined fund balance is either restricted or assigned. Approximately \$2.5 million is accounted for in which the resources are designated to specific programs through legal or contractual provisions. Of the \$3.4 million, \$2.3 million is within the Combined General Fund (includes Reserve Fund).
- Total property taxes decreased \$40,133, -4.25% over the prior year. Property tax, split 85%/15% between taxes for operations versus taxes for debt service, was down \$3,774 for operations and \$36,359 for debt service. Other taxes include fuel and hotel taxes which were up \$16,702.
- The City's proprietary funds – those used to account for programs which the city charges for the services it provides - report a combined net assets balance of \$16.0 million, a decrease of \$275,853 over the prior year.

OVERVIEW OF FINANCIAL STATEMENTS

The following discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components:

1. Government-wide financial statements;
2. Fund financial statements; and
3. Notes to the financial statements.

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2012

This report also contains other supplementary information in addition to the basic financial statement themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner that is similar to a private-sector business. These statements are reported on the full accrual basis of accounting. Under the full accrual basis, certain revenues and expenses are reported that will not affect cash flows until future periods.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Evaluating increases or decreases in net assets over time can serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information on how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in a future period. Examples of this include earned, but uncollected property taxes, and earned but unused compensated absences.

Both of the government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (referred to as governmental activities) from other functions that are intend to recover all or a significant portion of their costs through user fees and charges (referred to as business activities).

Governmental activities of the City include the following:

- General Government
- Public Safety
- Culture and Recreation
- Community Development
- Highways and Streets

Business-type activities of the City include the following:

- Water Utility
- Wastewater Utility

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or functions. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories:

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2012

- Governmental Funds
- Proprietary Funds

Governmental Funds are used to account for City functions that are supported primarily by taxes and intergovernmental revenues. These are essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as the balances of available spendable resources at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities. These reconciliations can be found on pages 5 and 7 of this report.

The City maintains nine (9) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the Combined General Fund (includes Reserve Fund) and Street Fund of which are considered to be major funds. Data from the other six (6) governmental funds are combined into a single, aggregated presentation. Individual fund data for each non-major governmental fund is provided in the form of combining statements starting on page 35.

The City adopts an annual appropriated budget for all governmental funds. A budgetary comparison has been provided for each fund to demonstrate compliance with the adopted budget.

The basic governmental fund financial statements can be found on pages 3 through 9 of this report.

The City maintains one type of *proprietary funds*. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City has four (4) budgeted enterprise funds that it uses to account for its water and sewer utilities, and sewer and water system development funds. These funds are combined into three reporting units for the financial statements. Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for all the water and sewer utility operations, all of which are considered to be major funds.

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2012

The City also adopts an annual appropriated budget for all proprietary funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the proprietary funds found on pages 51 through 57 of this report.

The basic proprietary fund financial statements can be found on pages 10 through 14.

Notes to the Basic Financial Statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 34 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary and actual comparisons for the General Fund and major governmental funds, in the fund financial statements on pages 8 through 9. Supplemental information is found beginning on page 35 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets:

The following table reflects a summary of Net Assets compared to prior fiscal year.

Table 1
City of Sisters' Net Assets
as of June 30
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Change + (-)
	2012	2011	2012	2011	2012	2011	
Current and other assets	\$ 3.91	\$ 3.98	\$ 2.27	\$ 2.42	\$ 6.18	\$ 6.40	\$ -0.22
Capital assets	6.61	6.11	21.09	21.48	27.70	27.59	0.11
Total assets	<u>10.52</u>	<u>10.09</u>	<u>23.36</u>	<u>23.90</u>	<u>33.88</u>	<u>33.99</u>	<u>-0.11</u>
Current liabilities	0.38	0.37	0.32	0.35	0.70	0.72	-0.02
Noncurrent liabilities	1.39	1.54	7.00	7.24	8.39	8.78	-0.39
Total liabilities	<u>1.77</u>	<u>1.91</u>	<u>7.32</u>	<u>7.59</u>	<u>9.09</u>	<u>9.50</u>	<u>-0.41</u>
Net assets:							
Invested in capital assets, net of related debt	5.25	4.60	14.11	14.26	19.36	18.86	0.50
Restricted	1.11	1.28	1.43	1.48	2.54	2.76	-0.22
Unrestricted	2.39	2.30	0.50	0.57	2.89	2.87	0.02
Total net assets	<u>\$ 8.75</u>	<u>\$ 8.18</u>	<u>\$ 16.04</u>	<u>\$ 16.31</u>	<u>\$ 24.79</u>	<u>\$ 24.49</u>	<u>\$ 0.30</u>

As noted earlier, net assets over time may serve as a useful indicator of a government's financial position. For the City of Sisters, assets exceeded liabilities by \$24.8 million at the close of fiscal year 2011-2012. The largest portion of the City's net assets are invested in capital assets (i.e., land, building, infrastructure, and equipment), and reported net of related

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2012

outstanding debt (\$19.4 million). The City uses these capital assets to provide services to citizens; thus, they do not represent resources available for future spending. Although the City's capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets total \$2.5 million and represent cash and investments that are legally restricted for capital expansion or debt service. Finally, the remaining balance are unrestricted net assets (\$2.9 million or 11.7%) may be used to meet the City's ongoing obligations to citizens and creditors.

Statement of Activities:

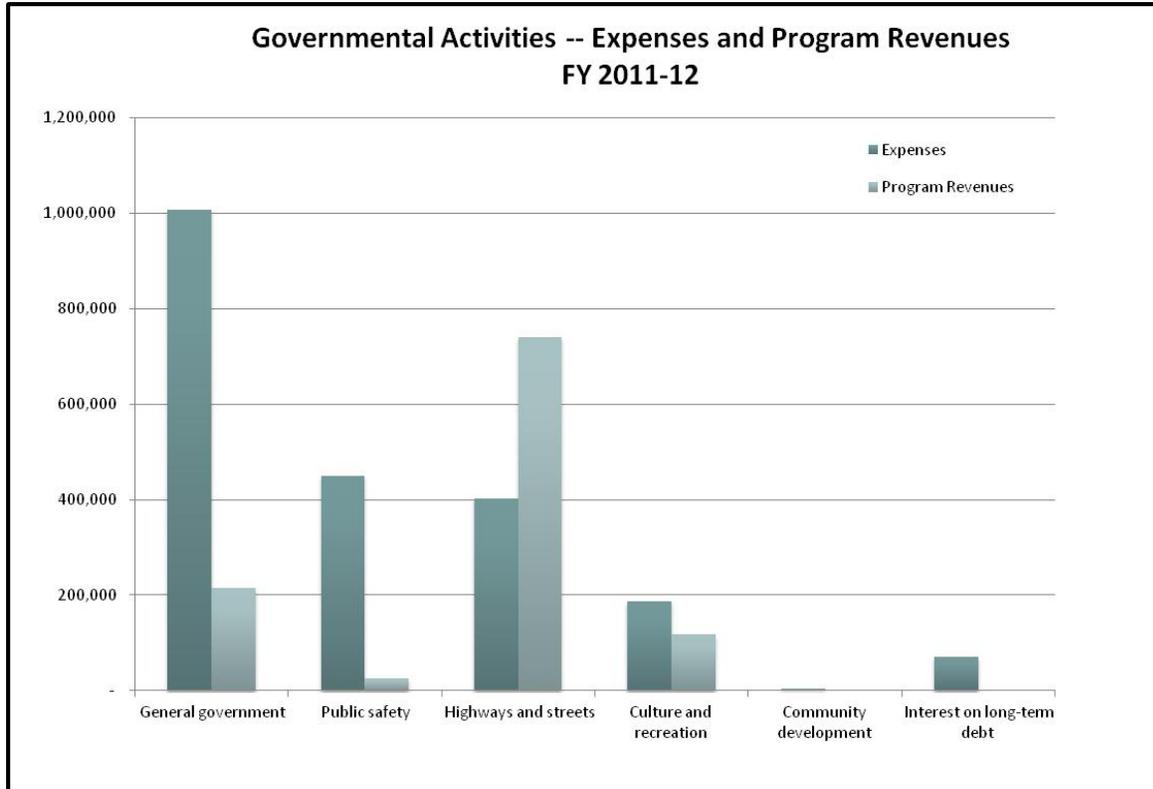
Total net assets of the City increased by \$299,776 in the current fiscal year. Governmental activities net assets increased by \$575,629, and business-type activities decreased by \$275,853.

Table 2
City of Sisters' Changes in Net Assets

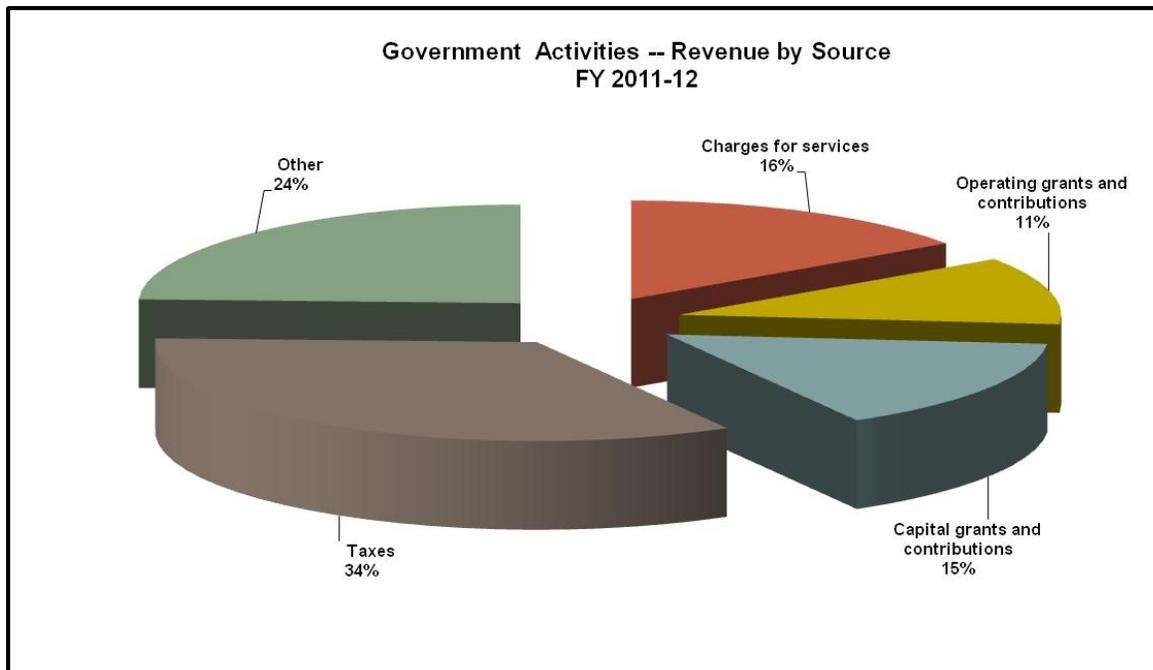
	Governmental Activities		Business-type Activities		Total		Total Change + (-)
	2012	2011	2012	2011	2012	2011	
Revenues:							
Program revenues:							
Charges for services	\$ 407,390	\$ 372,733	\$ 1,287,059	\$ 1,237,146	\$ 1,694,449	\$ 1,609,879	\$ 84,570
Operating grants and contributions	292,510	402,418	-	4,438	292,510	406,856	(114,346)
Capital grants and contributions	401,386	76,244	164,084	159,930	565,470	236,174	329,296
General revenues:							
Taxes	893,866	942,861	-	-	893,866	942,861	(48,995)
Other	643,464	656,117	12,572	13,192	656,036	669,309	(13,273)
Total revenues	<u>\$ 2,638,616</u>	<u>\$ 2,450,373</u>	<u>\$ 1,463,715</u>	<u>\$ 1,414,706</u>	<u>\$ 4,102,331</u>	<u>\$ 3,865,079</u>	<u>\$ 237,252</u>
Expenses:							
General government	\$ 1,007,189	\$ 1,094,221	\$ -	\$ -	\$ 1,007,189	\$ 1,094,221	\$ (87,032)
Public safety	449,955	432,649	-	-	449,955	432,649	17,306
Highways and streets	403,202	419,487	-	-	403,202	419,487	(16,285)
Culture and recreation	186,017	210,122	-	-	186,017	210,122	(24,105)
Community development	3,687	3,269	-	-	3,687	3,269	418
Interest on long-term debt	69,937	80,230	-	-	69,937	80,230	(10,293)
Water	-	-	592,760	623,143	592,760	623,143	(30,383)
Sewer	-	-	1,089,808	1,076,333	1,089,808	1,076,333	13,475
Total expenses	<u>\$ 2,119,987</u>	<u>\$ 2,239,978</u>	<u>\$ 1,682,568</u>	<u>\$ 1,699,476</u>	<u>\$ 3,802,555</u>	<u>\$ 3,939,454</u>	<u>\$ (136,899)</u>
Increase in net assets before transfers	\$ 518,629	\$ 210,395	\$ (218,853)	\$ (284,770)	\$ 299,776	\$ (74,375)	\$ 374,151
Transfers	57,000	(558,234)	(57,000)	558,234	-	-	-
Change in net assets	575,629	(347,839)	(275,853)	273,464	299,776	(74,375)	374,151
Net assets, July 1	8,178,846	8,526,685	16,315,290	16,041,826	24,494,136	24,568,511	(74,375)
Prior period adjustment	-	-	-	-	-	-	-
Net assets, June 30	<u>\$ 8,754,475</u>	<u>\$ 8,178,846</u>	<u>\$ 16,039,437</u>	<u>\$ 16,315,290</u>	<u>\$ 24,793,912</u>	<u>\$ 24,494,136</u>	<u>\$ 299,776</u>

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2012

The following chart compares program revenues and expenses for individual governmental activities for the current year.



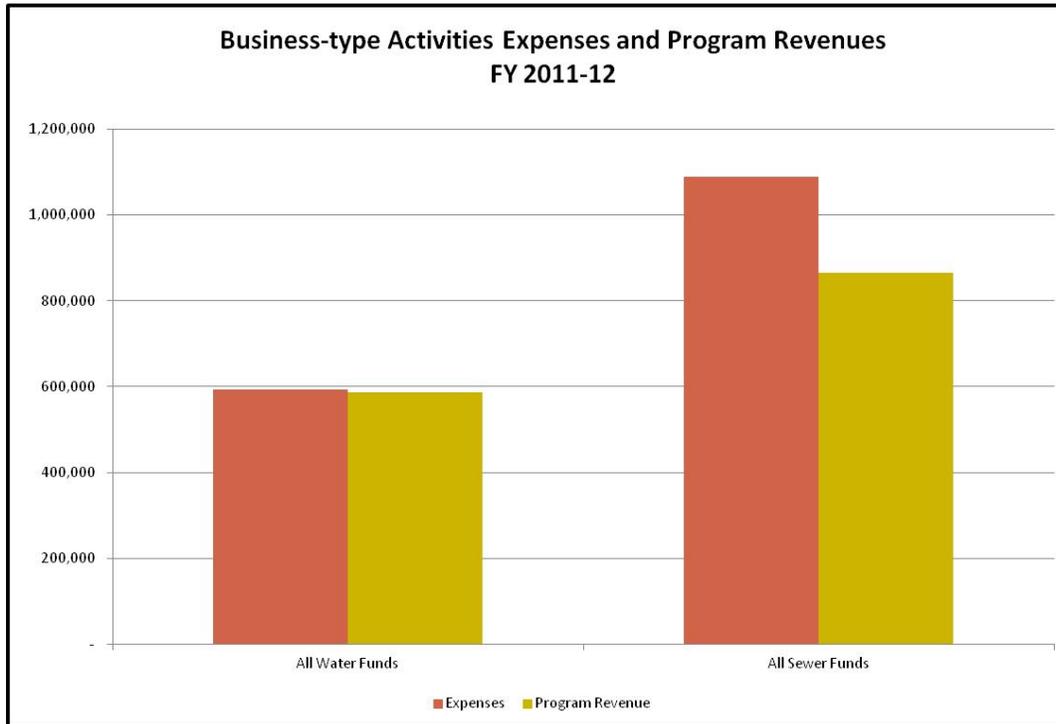
The next chart shows the share of revenues supporting governmental activities.



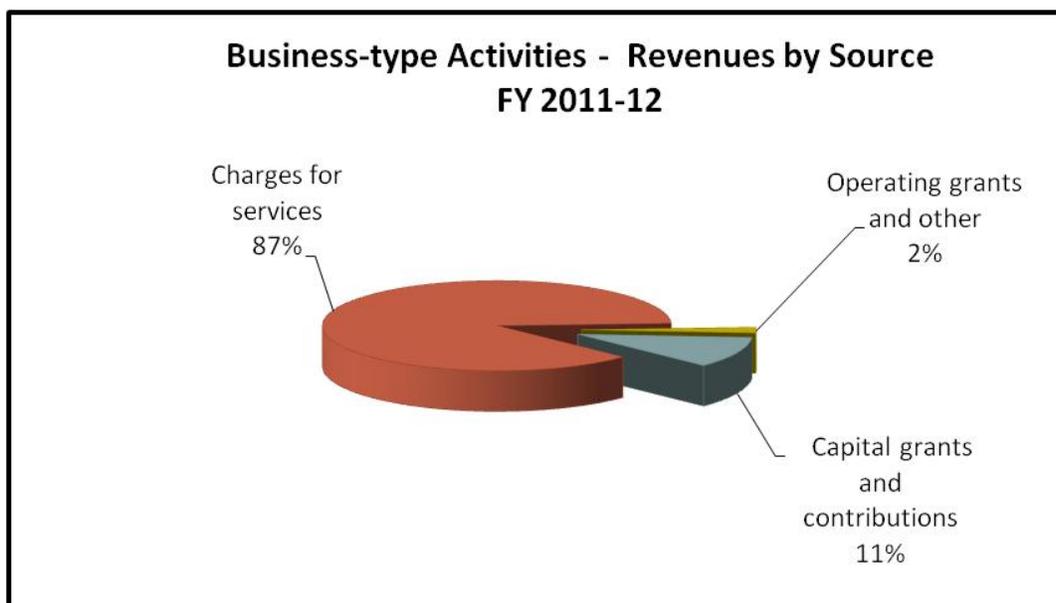
CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2012

Business-type Activities decreased the City's net assets by \$275,853.

The following chart compares charges for services program revenue to expenses by business-type activity for the audited fiscal year.



The following chart shows that 87% of revenues for business-type activities are generated from charges for services rendered.



CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2012

Fund-based Financial Analysis

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3.4 million. Approximately \$.9 million or 25% of the balance is unassigned for spending at the City's discretion. The remainder of fund balance is assigned, restricted, or unavailable and is not available for future discretionary spending because it has already be committed to other funds for debt service (\$.37 million) and police reinstate and capital investments from the Reserve Fund and capital projects from System Development Charges (\$2.1 million).

The *General Fund* is the chief operating fund of the City. At the end of the audited fiscal year, the unassigned fund balance in the General Fund was \$891,220. This represents a \$226,440 increase from FY 2010-11.

The *Street Fund* provides for the maintenance, and construction of City streets. The revenues received include state highway gas tax, local gas tax, franchise and inspection fees and intergovernmental revenues. The restricted fund balance at June 30, 2012 is \$6,249; a decrease of \$208,486 from prior year for capital projects funded by grants.

The *Reserve Fund* accounts money set aside for replacement of capital assets and reserves. The principal revenue sources are contributions by other funds and earnings on investments. The assigned fund balance at June 30, 2012 is \$1.4 million, which is combined with the General Fund for reporting purposes.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail.

Unrestricted net assets of each proprietary fund and its percent to total unrestricted net assets of all proprietary funds are as follows:

All Water (including SDC)	\$ 90,901	(18%)
All Sewer (including SDC)	\$ 407,838	(82%)

The total proprietary fund unrestricted net assets decreased by \$275,853 from the prior year.

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2012

GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary statement for the General Fund, page 8, shows the original budget, final budget, actual revenues, expenditures and transfer in and out for the fiscal year ended June 30, 2012. Significant variance between final budget and actual revenue and expenditure were due to the City unanticipated increase in both revenue and expenditure for interfund loan to Urban Renewal Agency for the Main Avenue bikeway/pathway improvement.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounts to \$27.7 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure (i.e. streets, water and sewer systems). Of all capital assets, 24% is associated with governmental activities and 76% with business-type activities. See Table 3 below.

In total, the City's capital assets increased by \$.108 million from the prior year. Governmental activities account for \$.498 million of the increase and business-type activities account for \$.390 million decrease. Major capital asset events during the fiscal year included the following:

- Construction in progress:
 - Safe Routes to School project
 - Main Avenue bikeway/pathway improvements
 - Santiam multi-use path project
- Playground equipment at Clemens Park

Table 3
City of Sisters' Capital Assets, Net of Accumulated Depreciation
as of June 30

	Governmental Activities		Business-type Activities		Total		Total Change + (-)
	2012	2011	2012	2011	2012	2011	
Land	\$ 639,290	\$ 639,290	\$ 4,191,605	\$ 4,191,605	\$ 4,830,895	\$ 4,830,895	\$ -
Art and sculptures	250,000	250,000	-	-	250,000	250,000	-
Construction in progress	759,214	66,904	316,278	220,077	1,075,492	286,981	788,511
Buildings	2,387,721	2,451,361	592,027	607,503	2,979,748	3,058,864	(79,116)
Improvements, others than buildings	2,461,021	2,570,974	15,819,086	16,231,979	18,280,107	18,802,953	(522,846)
Equipment	111,071	132,085	170,803	228,449	281,874	360,534	(78,660)
Total	\$ 6,608,317	\$ 6,110,614	\$ 21,089,799	\$ 21,479,613	\$ 27,698,116	\$ 27,590,227	\$ 107,889

Additional information on the City's capital assets can be found in the notes to the basic financial statements in note II. C. on pages 27 and 28.

Long-term debt. At the end of the current fiscal year, the City had total noncurrent liabilities of \$8.3 million. Of this amount, \$1.4 million comprises debt backed by the full faith and credit of the government. While the City may specify an internal revenue stream to service this debt, ultimately the City's General Fund or other legally available funds are liable.

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2012

Revenue bonds account for \$4.9 million of the total debt outstanding. This debt is secured solely by specified revenue sources (i.e. sewer rate revenue). Contracts and notes payable accounts for \$2.1 million of total debt outstanding.

Table 4
City of Sisters' Outstanding Debt, General Obligation and Revenue Bonds
as of June 30
(in millions)

	Governmental Activities		Business-type Activities		Total		Total Change
	2012	2011	2012	2011	2012	2011	+ (-)
General obligation bonds	\$ 1.4	\$ 1.5	\$ -	\$ -	\$ 1.4	\$ 1.5	\$ (0.1)
Revenue bonds	-	-	4.8	4.9	4.8	4.9	(0.1)
Notes and Contracts Payable	-	-	2.1	2.3	2.1	2.3	(0.2)
Total	\$ 1.4	\$ 1.5	\$ 6.9	\$ 7.2	\$ 8.3	\$ 8.7	\$ (0.4)

During the fiscal year ended June 30, 2012 all scheduled debt payments were met. The City did not issue any new debt during the fiscal year.

Under Oregon Revised Statutes, general obligation debt issues are limited to 3% of the real market value of all taxable property within the City's boundaries. The \$1.4 million in City general obligation debt applicable to this limit is well below the \$86.0 million ceiling.

Additional information on the City's bonded debt can be found in the notes to the basic financial statements on pages 29 to 31.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Uncertainties about future economic changes and financial impacts are common to all cities. To deal with the swings in the economy and to plan for future capital expansion, the City has been able to accumulate reserves due to conservative spending in the past. Overall, the City's financial condition remains in good shape, however some funds are in better shape than others. At July 1, 2012, the total FY 12/13 budget operating contingency is \$2.9 million include \$1.5 million set aside for new development and future construction or equipment replacement and \$1.4 million is available for operating contingencies. In addition, \$1.9 million of unappropriated reserves set aside for future use beyond the FY 12/13 budget.

During preparation of the budget for the ensuing fiscal year, the City considered several economic factors. The following assumptions were utilized in the compilation of the FY 2012 – 2013 budget:

Property taxes. Due to the volatile and devaluation in real estate market of the last years, it has become more difficult to forecasts assessed values. The budget assumes a **1.5% decrease** from the 2011/12 actual assessed values.

CITY OF SISTERS, OREGON
Management's Discussion and Analysis
For the Year Ended, June 30, 2012

The City's current **population** is 2,055. It is assumed that during the upcoming fiscal year the City's population will not significantly increase. This assumption affects the estimates for state shared revenues, such as gasoline tax, which are distributed on a per capita basis. It is also used in determining the requirement for city services and any associated fees (i.e. estimating water delivery requirements and fees).

The **personnel services** budget includes a 3.0% merit adjustment for all employees which is tied to performance. However, no cost of living adjustments were budgeted for.

It was assumed that **medical benefit** premiums will increase approximately 8.9%. For the first time, the City budgeted 90% of the health care premium cost for employees. Employees will contribute 10% of the premium cost, ranging from \$118 to \$162.

The City's employer contribution rate to the **Public Employee Retirement System (PERS)** is 17.09% and 13.72% of employee salaries for Tier 1/Tier 2 and Oregon Public Service Retirement Plan (OPSRP) General Service respectively. The City picks up the employee's share of 6% PERS contribution.

The assumed **risk management** changes are as follows:

- Property and liability insurance will increase by 4.0%;
- Unemployment insurance will not change;
- Workers compensation insurance rates will increase by 6.0%.

REQUESTS FOR INFORMATION

This City's financial statements are designed to provide present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. The City of Sisters Urban Renewal Agency has issued a separate report, which is available to those who are interested. If you have questions about the report or need addition information, please contact the City's Finance Director, Lisa Young at City of Sisters, P.O. Box 39, Sisters, Oregon 97759, or via email to lyoung@ci.sisters.or.us.

THIS PAGE INTENTIONALLY LEFT BLANK



BASIC FINANCIAL STATEMENTS

CITY OF SISTERS, OREGON
STATEMENT OF NET ASSETS
June 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,440,538	\$ 687,084	\$ 3,127,622
Receivables:			
Accounts, net	98,247	109,600	207,847
Intergovernmental	28,961	-	28,961
Property taxes	66,033	-	66,033
Assessments	165,820	10,427	176,247
Inventories	-	28,255	28,255
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	1,110,696	1,432,921	2,543,617
Capital assets:			
Land	639,290	4,191,605	4,830,895
Art and sculptures	250,000	-	250,000
Construction in progress	759,214	316,278	1,075,492
Depreciable assets, net of depreciation	4,959,813	16,581,916	21,541,729
Total assets	10,518,612	23,358,086	33,876,698
LIABILITIES			
Accounts payable and accrued expenses	130,740	27,585	158,325
Deposits	3,638	66,378	70,016
Unearned revenue	207,923	10,776	218,699
Accrued interest payable	5,100	215,162	220,262
Retainage payable	30,268	-	30,268
Long-term obligations:			
Due within one year	187,016	257,689	444,705
Due in more than one year	1,199,452	6,741,059	7,940,511
Total liabilities	1,764,137	7,318,649	9,082,786
NET ASSETS			
Invested in capital assets, net of related debt	5,253,278	14,107,777	19,361,055
Restricted for:			
Debt service	368,942	313,327	682,269
Highways and streets	6,249	-	6,249
System development	720,657	1,119,594	1,840,251
Other	14,848	-	14,848
Unrestricted	2,390,501	498,739	2,889,240
Total net assets	\$ 8,754,475	\$ 16,039,437	\$ 24,793,912

The notes to the basic financial statements are an integral part of this statement.

CITY OF SISTERS, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 1,007,189	\$ 210,424	\$ 5,427	\$ -	\$ (791,338)	\$ -	\$ (791,338)
Public safety	449,955	-	26,606	-	(423,349)	-	(423,349)
Culture and recreation	186,017	114,774	-	4,362	(66,881)	-	(66,881)
Community development	3,687	-	-	-	(3,687)	-	(3,687)
Highways and streets	403,202	82,192	260,477	397,024	336,491	-	336,491
Interest on long-term obligations	69,937	-	-	-	(69,937)	-	(69,937)
Total governmental activities	<u>2,119,987</u>	<u>407,390</u>	<u>292,510</u>	<u>401,386</u>	<u>(1,018,701)</u>	<u>-</u>	<u>(1,018,701)</u>
Business-type activities:							
Water	592,760	513,352	-	72,554	-	(6,854)	(6,854)
Sewer	1,089,808	773,707	-	91,530	-	(224,571)	(224,571)
Total business-type activities	<u>1,682,568</u>	<u>1,287,059</u>	<u>-</u>	<u>164,084</u>	<u>-</u>	<u>(231,425)</u>	<u>(231,425)</u>
Total primary government	<u>\$ 3,802,555</u>	<u>\$ 1,694,449</u>	<u>\$ 292,510</u>	<u>\$ 565,470</u>	<u>(1,018,701)</u>	<u>(231,425)</u>	<u>(1,250,126)</u>
General revenues:							
Property taxes levied for:							
General purposes					761,988	-	761,988
Debt service					131,878	-	131,878
Franchise and public services taxes					608,597	-	608,597
Interest and investment earnings					24,693	12,572	37,265
Miscellaneous					10,174	-	10,174
Transfers					57,000	(57,000)	-
Total general revenues, special items, and transfers					<u>1,594,330</u>	<u>(44,428)</u>	<u>1,549,902</u>
Change in net assets					575,629	(275,853)	299,776
Net assets, beginning					<u>8,178,846</u>	<u>16,315,290</u>	<u>24,494,136</u>
Net assets, ending					<u>\$ 8,754,475</u>	<u>\$ 16,039,437</u>	<u>\$ 24,793,912</u>

The notes to the basic financial statements are an integral part of this statement.

THIS PAGE INTENTIONALLY LEFT BLANK



FUND FINANCIAL STATEMENTS

Major Governmental Funds

General Fund

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, hotel-motel tax, and state shared revenues. Expenditures are primarily for general government operations, public safety (police), and culture and recreation. The activities of the Reserve Fund have also been combined with the General Fund for external financial reporting.

Street Fund

The Street Fund accounts for the cost of maintaining City streets and storm water drainage systems. Principal sources of revenues are state gasoline taxes apportioned from the State of Oregon, local gas taxes, licenses and fees, intergovernmental revenue, and franchise fees.

**CITY OF SISTERS, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012**

	Combined General Fund	Street Fund	Other Governmental Funds	Totals
ASSETS				
Cash and cash equivalents	\$ 2,313,595	\$ 82,452	\$ 1,155,187	\$ 3,551,234
Receivables:				
Property taxes	55,678	-	10,355	66,033
Accounts, net	64,561	33,686	-	98,247
Intergovernmental	14,039	14,922	-	28,961
Assessments, net	-	-	165,820	165,820
Advances to other funds	<u>55,000</u>	<u>-</u>	<u>-</u>	<u>55,000</u>
 Total assets	 <u>\$ 2,502,873</u>	 <u>\$ 131,060</u>	 <u>\$ 1,331,362</u>	 <u>\$ 3,965,295</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 56,164	\$ 72,376	\$ 2,200	\$ 130,740
Retainage payable	-	30,268	-	30,268
Deposits	3,638	-	-	3,638
Deferred revenue	93,193	22,167	184,563	299,923
Advances from other funds	<u>-</u>	<u>-</u>	<u>55,000</u>	<u>55,000</u>
 Total liabilities	 <u>152,995</u>	 <u>124,811</u>	 <u>241,763</u>	 <u>519,569</u>
FUND BALANCES				
Nonspendable	55,000	-	-	55,000
Restricted	14,848	6,249	1,089,599	1,110,696
Assigned	1,388,810	-	-	1,388,810
Unassigned	<u>891,220</u>	<u>-</u>	<u>-</u>	<u>891,220</u>
 Total fund balances	 <u>2,349,878</u>	 <u>6,249</u>	 <u>1,089,599</u>	 <u>3,445,726</u>
 Total liabilities and fund balances	 <u>\$ 2,502,873</u>	 <u>\$ 131,060</u>	 <u>\$ 1,331,362</u>	 <u>\$ 3,965,295</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SISTERS, OREGON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2012

Fund balances - total governmental funds	\$ 3,445,726
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds	6,608,317
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.	92,000
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.	(31,429)
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements.	(5,100)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and, therefore, are not reported in the fund statements.	<u>(1,355,039)</u>
Net assets of governmental activities	<u>\$ 8,754,475</u>

CITY OF SISTERS, OREGON
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012

	Combined General Fund	Street Fund	Other Governmental Funds	Totals
REVENUES				
Property taxes	\$ 769,256	\$ -	\$ 134,114	\$ 903,370
Other taxes	307,575	136,850	-	444,425
Franchise fees	202,042	58,061	-	260,103
Licenses and fees	275,752	63,485	13,980	353,217
Charges for services	24,700	-	-	24,700
Intergovernmental	176,558	453,560	5,295	635,413
Fines and forfeitures	1,766	-	-	1,766
System development charges	-	-	55,914	55,914
Rental income	9,000	-	-	9,000
Interest on investments	16,274	1,520	6,899	24,693
Miscellaneous	10,174	18,707	-	28,881
TOTAL REVENUES	<u>1,793,097</u>	<u>732,183</u>	<u>216,202</u>	<u>2,741,482</u>
EXPENDITURES				
Current:				
General government	900,854	-	-	900,854
Public safety	449,961	-	-	449,961
Culture and recreation	180,366	-	-	180,366
Community development	-	-	3,687	3,687
Highways and streets	-	288,713	-	288,713
Capital outlay	20,978	632,954	67,564	721,496
Debt service	-	-	226,972	226,972
TOTAL EXPENDITURES	<u>1,552,159</u>	<u>921,667</u>	<u>298,223</u>	<u>2,772,049</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>240,938</u>	<u>(189,484)</u>	<u>(82,021)</u>	<u>(30,567)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	213,600	213,600
Transfers out	(63,000)	(19,000)	(74,600)	(156,600)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(63,000)</u>	<u>(19,000)</u>	<u>139,000</u>	<u>57,000</u>
NET CHANGE IN FUND BALANCE	177,938	(208,484)	56,979	26,433
FUND BALANCE, Beginning	<u>2,171,940</u>	<u>214,733</u>	<u>1,032,620</u>	<u>3,419,293</u>
FUND BALANCE, Ending	<u>\$ 2,349,878</u>	<u>\$ 6,249</u>	<u>\$ 1,089,599</u>	<u>\$ 3,445,726</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SISTERS, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

Net change in fund balance - governmental funds \$ 26,433

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred revenues (102,866)

Repayment of long-term obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Assets.

156,465

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and are not reported as expenditures in governmental funds.

Change in compensated absences (2,679)

Change in accrued interest payable 572

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets are allocated over the useful lives and reported as depreciation expense.

Capital asset purchases \$ 721,494

Depreciation expense (223,790)

497,704

Change in net assets - governmental activities **\$ 575,629**

CITY OF SISTERS, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive / (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Property taxes	\$ 763,000	\$ 763,000	\$ 769,256	\$ 6,256
Other taxes	278,000	278,000	307,575	29,575
Franchise fees	187,000	187,000	202,042	15,042
Licenses and fees	211,200	250,800	275,752	24,952
Charges for services	18,600	18,600	24,700	6,100
Intergovernmental	56,800	57,800	176,558	118,758
Fines and forfeitures	1,000	1,000	1,766	766
Rental income	9,000	9,000	9,000	-
Interest on investments	7,000	7,000	8,205	1,205
Miscellaneous	-	5,000	10,174	5,174
TOTAL REVENUES	<u>1,531,600</u>	<u>1,577,200</u>	<u>1,785,028</u>	<u>207,828</u>
EXPENDITURES				
Current:				
General government	843,766	929,896	900,854	29,042
Public safety	449,966	449,966	449,961	5
Culture and recreation	191,055	191,055	180,366	10,689
Contingency	541,087	452,257	-	452,257
TOTAL EXPENDITURES	<u>2,025,874</u>	<u>2,023,174</u>	<u>1,531,181</u>	<u>491,993</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(494,274)</u>	<u>(445,974)</u>	<u>253,847</u>	<u>699,821</u>
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds	22,200	22,200	94,600	72,400
Interfund loan payment	(2,200)	(74,600)	(74,600)	-
Transfers out	(63,000)	(63,000)	(63,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(43,000)</u>	<u>(115,400)</u>	<u>(43,000)</u>	<u>72,400</u>
NET CHANGE IN FUND BALANCE	(537,274)	(561,374)	210,847	772,221
Budgetary basis adjustment	-	-	(20,000)	(20,000)
FUND BALANCE, Beginning	<u>537,274</u>	<u>561,374</u>	<u>770,221</u>	<u>208,847</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 961,068</u>	<u>\$ 961,068</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SISTERS, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
STREET FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Other taxes	\$ 140,000	\$ 140,000	\$ 136,850	\$ (3,150)
Franchise fees	55,500	55,500	58,061	2,561
Licenses and fees	56,500	56,500	63,485	6,985
Intergovernmental	1,060,200	1,125,200	453,560	(671,640)
Interest on investments	700	700	1,520	820
Miscellaneous	11,000	11,000	18,707	7,707
TOTAL REVENUES	<u>1,323,900</u>	<u>1,388,900</u>	<u>732,183</u>	<u>(656,717)</u>
EXPENDITURES				
Current:				
Highways and streets:				
Personal services	175,259	175,259	170,014	5,245
Materials and services	172,800	213,187	118,699	94,488
Capital outlay	1,033,900	1,026,500	632,954	393,546
Contingency	93,590	125,603	-	125,603
TOTAL EXPENDITURES	<u>1,475,549</u>	<u>1,540,549</u>	<u>921,667</u>	<u>618,882</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(151,649)</u>	<u>(151,649)</u>	<u>(189,484)</u>	<u>(37,835)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(19,000)	(19,000)	(19,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(19,000)</u>	<u>(19,000)</u>	<u>(19,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(170,649)	(170,649)	(208,484)	(37,835)
FUND BALANCE, Beginning	<u>170,649</u>	<u>170,649</u>	<u>214,733</u>	<u>44,084</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,249</u>	<u>\$ 6,249</u>

The notes to the basic financial statements are an integral part of this statement.

THIS PAGE INTENTIONALLY LEFT BLANK



FUND FINANCIAL STATEMENTS

Proprietary Funds

The City of Sisters uses two Proprietary Funds comprised entirely of Enterprise Funds.

Enterprise Funds are used to report activities for which a fee is charged to external users for goods and services and to account for the acquisition, operation, and maintenance of the water, refuse, and sewer activities. These funds are entirely or predominately self-supported through user charges to the customer. Funds included are:

- **Water**
- **Sewer**

For budgetary purposes (see budget schedules in Supplemental Information), the above funds are accounted for in the following separate funds:

- **All Water Funds**
 - Water
 - Water SDC
- **All Sewer Funds**
 - Sewer
 - Sewer SDC

CITY OF SISTERS, OREGON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	<u>Business - type Activities - Enterprise Funds</u>		
	<u>Major Funds</u>		
	<u>All Water Funds</u>	<u>All Sewer Funds</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 105,061	\$ 582,023	\$ 687,084
Receivables:			
Accounts, net	47,331	62,269	109,600
Assessments	-	10,427	10,427
Inventories	<u>28,255</u>	<u>-</u>	<u>28,255</u>
Total current assets	<u>180,647</u>	<u>654,719</u>	<u>835,366</u>
Noncurrent assets:			
Restricted cash and cash equivalents	811,973	620,948	1,432,921
Capital assets:			
Land	10,022	4,181,583	4,191,605
Construction in progress	186,927	129,351	316,278
Depreciable assets, net of depreciation	<u>5,748,642</u>	<u>10,833,274</u>	<u>16,581,916</u>
Total noncurrent assets	<u>6,757,564</u>	<u>15,765,156</u>	<u>22,522,720</u>
Total assets	<u>\$ 6,938,211</u>	<u>\$ 16,419,875</u>	<u>\$ 23,358,086</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 14,382	\$ 13,203	\$ 27,585
Accrued interest payable	-	215,162	215,162
Deposits	66,378	-	66,378
Unearned revenue	350	10,426	10,776
Compensated absences payable	6,477	6,067	12,544
Current portion of long-term debt	<u>-</u>	<u>245,145</u>	<u>245,145</u>
Total current liabilities	<u>87,587</u>	<u>490,003</u>	<u>577,590</u>
Long-term debt, net of current portion:			
Compensated absences payable	2,159	2,023	4,182
Notes and contracts payable	-	1,968,318	1,968,318
Bonds payable	<u>-</u>	<u>4,768,559</u>	<u>4,768,559</u>
Total long-term debt, net of current portion	<u>2,159</u>	<u>6,738,900</u>	<u>6,741,059</u>
Total liabilities	<u>89,746</u>	<u>7,228,903</u>	<u>7,318,649</u>
Net assets:			
Invested in capital assets, net of related debt	5,945,591	8,162,186	14,107,777
Restricted for system development	811,973	307,621	1,119,594
Restricted for debt service	-	313,327	313,327
Unrestricted	<u>90,901</u>	<u>407,838</u>	<u>498,739</u>
Total net assets	<u>6,848,465</u>	<u>9,190,972</u>	<u>16,039,437</u>
Total liabilities and net assets	<u>\$ 6,938,211</u>	<u>\$ 16,419,875</u>	<u>\$ 23,358,086</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SISTERS, OREGON
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2012

	Business - type Activities - Enterprise Funds		
	Major Funds		
	All Water Funds	All Sewer Funds	Total
OPERATING REVENUES			
Charges for services	\$ 509,097	\$ 695,228	\$ 1,204,325
Licenses and fees	3,855	3,952	7,807
Rental income	-	48,000	48,000
Miscellaneous	400	26,533	26,933
TOTAL OPERATING REVENUES	<u>513,352</u>	<u>773,713</u>	<u>1,287,065</u>
OPERATING EXPENSES			
Personal services	237,236	270,874	508,110
Materials and services	179,722	182,705	362,427
Depreciation	175,805	310,210	486,015
TOTAL OPERATING EXPENSES	<u>592,763</u>	<u>763,789</u>	<u>1,356,552</u>
OPERATING INCOME (LOSS)	<u>(79,411)</u>	<u>9,924</u>	<u>(69,487)</u>
NON-OPERATING INCOME (EXPENSES)			
Interest on investments	5,322	7,251	12,573
Interest expense	-	(326,025)	(326,025)
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>5,322</u>	<u>(318,774)</u>	<u>(313,452)</u>
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(74,089)	(308,850)	(382,939)
CAPITAL CONTRIBUTIONS			
System development charges	72,554	91,530	164,084
TRANSFERS			
Transfers out	(24,000)	(33,000)	(57,000)
CHANGE IN NET ASSETS	(25,535)	(250,320)	(275,855)
NET ASSETS, Beginning	<u>6,874,000</u>	<u>9,441,292</u>	<u>16,315,292</u>
NET ASSETS, Ending	<u>\$ 6,848,465</u>	<u>\$ 9,190,972</u>	<u>\$ 16,039,437</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SISTERS, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds		
	Major Funds		
	All Water Funds	All Sewer Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 519,735	\$ 773,512	\$ 1,293,247
Payments to suppliers	(257,361)	(239,938)	(497,299)
Payments to employees	(150,585)	(169,693)	(320,278)
Payments for interfund services used	(33,118)	(43,543)	(76,661)
Net cash provided from (used by) operating activities	<u>78,671</u>	<u>320,338</u>	<u>399,009</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(24,000)	(33,000)	(57,000)
Net cash provided from (used by) non-capital financing activities	<u>(24,000)</u>	<u>(33,000)</u>	<u>(57,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
System development charges	72,554	91,530	164,084
Acquisition of capital assets	(45,730)	(50,471)	(96,201)
Principal paid on long-term obligations	-	(235,806)	(235,806)
Interest paid on long-term obligations	-	(331,122)	(331,122)
Net cash provided from (used by) capital and related financing activities	<u>26,824</u>	<u>(525,869)</u>	<u>(499,045)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	5,322	7,251	12,573
Net cash provided (used) by investing activities	<u>5,322</u>	<u>7,251</u>	<u>12,573</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	86,817	(231,280)	(144,463)
CASH AND CASH EQUIVALENTS, Beginning	<u>830,217</u>	<u>1,434,251</u>	<u>2,264,468</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 917,034</u>	<u>\$ 1,202,971</u>	<u>\$ 2,120,005</u>
COMPRISED AS FOLLOWS			
Cash and cash equivalents	\$ 105,061	\$ 582,023	\$ 687,084
Restricted cash and cash equivalents	<u>811,973</u>	<u>620,948</u>	<u>1,432,921</u>
	<u>\$ 917,034</u>	<u>\$ 1,202,971</u>	<u>\$ 2,120,005</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF SISTERS, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2012**

	Business-type Activities - Enterprise Funds		
	Major Funds		
	All Water Funds	All Sewer Funds	Total
Reconciliation of operating income (loss) to net cash provided from (used by) operating activities			
Operating income (loss)	\$ (79,411)	\$ 9,924	\$ (69,487)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	175,805	310,210	486,015
(Increase) decrease in assets:			
Receivables	13,267	(196)	13,071
Inventories	76	-	76
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(23,946)	942	(23,004)
Deposits	(6,882)	-	(6,882)
Compensated absences payable	(238)	(542)	(780)
Net cash provided from (used by) operating activities	<u>\$ 78,671</u>	<u>\$ 320,338</u>	<u>\$ 399,009</u>

THIS PAGE INTENTIONALLY LEFT BLANK



NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF SISTERS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of Sisters, Oregon (the City) is organized under the general laws of the State of Oregon. The City Council, composed of the Mayor and four Council members, comprises the legislative branch of the City. Individual departments are under the direction of the City Manager, who is appointed by the City Council.

The accompanying financial statements present all activities, funds and component units for which the City is considered financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of this criterion the City is a primary government with the following includable component unit.

Sisters Urban Renewal Agency

The Agency was formed to undertake urban renewal projects and activities pursuant to the City's redevelopment plan. The Board of Directors of the Agency consists of the Mayor and the four elected City Council members, which receives recommendations from a five member advisory committee appointed by the City Council. The City is required to certify to the County Assessor any incremental taxes to be levied for the benefit of the Agency. Since the City Council acts as its governing board, it has been included as a blended component unit in the financial statements. Complete financial statements for the Agency may be obtained at the City's administrative offices at 520 E. Cascade Avenue, Sisters, Oregon 97759.

B. Government – Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the City (the primary government) and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-types activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Taxes and other items

not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the functions of the City, the elimination of which would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for proprietary funds included the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

For Governmental Funds, funds are funded by a variety of resources, which include Restricted, Committed, Assigned, and Unassigned sources. Unless specifically tracked, expenditures are assumed to begin with Restricted, Committed, Assigned, and lastly, Unassigned.

For Proprietary Funds, when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues available if they are collected within 30 days of the end of the current fiscal period. Significant revenues, which are susceptible to accrual under the modified accrual basis of accounting, include property taxes and federal and state grants. Other revenue items are considered measurable and available when received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

The bases of accounting described above are in accordance with accounting principles generally accepted in the United States of America.

The City reports the following major governmental funds:

The *General Fund* (includes Reserve Fund as sub fund) is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, hotel-motel tax, and state shared revenues. Expenditures are primarily for general government operations, public safety (police), and culture and recreation. The Reserve Fund accounts for money set aside for replacement of capital assets. The principal sources are contributions by other funds and earnings on investments.

The *Street Fund* accounts for the cost of maintaining City streets and storm water drainage systems. Principal sources of revenues are state gasoline taxes apportioned from the State of Oregon, local gas taxes, licenses and fees, intergovernmental revenue, and franchise fees.

The City reports the following major proprietary funds:

The *Water Funds* account for revenues and expenses related to the City's water utility operations.

The *Sewer Funds* account for revenues and expenses related to the City's wastewater utility operations.

The City also includes the following fund types as other governmental funds:

Special revenue funds account for revenue derived from specific taxes or other revenue sources, which are legally restricted or committed to finance particular functions or activities. The purpose of each major Special Revenue Fund and its revenue, other than Street Fund disclosed above, is as following:

Urban Renewal Project Fund The Urban Renewal Project Fund accounts for construction projects related to the downtown core area of the Urban Renewal District. Principal sources of revenues are property taxes, grants, and interest on investments.

Reserve (now a sub-fund of the General Fund) Accounts for money set aside for replacement of capital assets. The principal revenue sources are contributions by other funds and earnings on investments.

Debt service funds account for the financial resources that are restricted, committed, or assigned to expenditure for payment made for principal and interest on long-term debt for governmental funds.

Capital projects funds account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including acquisition or construction of capital facilities and other capital assets. Capital Project Funds exclude those types of capital related outflows financed by proprietary funds.

D. Assets, Liabilities and Equity

1. Cash, Cash Equivalents, and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the Local Government Investment Pool, and short-term investments with original maturities of three months or less from the date of acquisition.

The City maintains merged bank accounts and investments for its funds in a central pool of cash and investments. The investment policy of the City is to invest in the Local Government Investment Pool, U.S. Government and Agency Obligations, Corporate indebtedness rated A-1 or AA or better, and interest bearing demand deposits with local banks and to transfer resources to the general checking account as the need arises. This policy is in accordance with ORS 294.035, which specifies the types of investments authorized for municipal corporations. The City allocates earnings on investments to selected funds based on the average monthly balances throughout the year.

Investments in the Local Government Investment Pool are stated at amortized cost, which approximates fair value. All other investments are reported at fair value.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not available expendable financial resources.

Other receivables including accounts, entitlements, and shared revenues are reported in accordance with the policies enumerated in Paragraph C above. An allowance for uncollectible accounts has been established for the Water, Sewer, Parking District, and General Funds and represents the portion of receivables not expected to be collected.

3. Inventories and Prepaid Expenses

Inventory in the Water Fund is determined by physical count and is stated at the lower of cost (first in, first out) or market. Expenses are recognized when inventories are consumed. Other inventories are taken for control purposes only with no dollar value assigned.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost when actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period. There was no interest capitalized during the year.

Property, plant, and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 to 75
Machinery and equipment	5 - 10

5. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned, but unused, vacation, holiday and sick pay benefits. No liability is reported for unpaid accumulated sick pay benefits. All vacation and holiday pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Compensated absences are normally paid from the General, Street, Water, and Sewer funds.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that met the definition of GASB 54: Nonspendable, Restricted, Committed, Assigned, and Unassigned.

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash and include inventories and prepaid amounts.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the City Council passes a resolution that places specific constraints on how the resources may be used. The City Council can modify or rescind the resolution at any time through passage of an additional resolution.

Fund balance is reported as assigned when resources are constrained by the government's intent to use them for a specific purpose, but are neither restricted nor committed. Intent is expressed when the City council approves which resources should be assigned to expenditures of particular purposes during the adoption of the annual budget. The City Manager uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City's fund financial statements.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned.

When the option is available to use restricted or unrestricted resources for any purpose, the City expends restricted resources first. When the option is available to use committed, assigned, or unassigned resources for any purpose, the City expends committed resources before assigned resources, and assigned resources before unassigned resources. Fund balances by classification for the year ended June 30, 2012 were as follows:

Fund Balance	Combined General Fund	Street Fund	Non-major Governmental Funds	Total Governmental Funds
Nonspendable:				
Advance to other funds	\$ 55,000	\$ -	\$ -	\$ 55,000
Restricted for:				
CATS Grant	14,848	-	-	14,848
Highways and Streets	-	6,249	-	6,249
Debt Service	-	-	368,942	368,942
Capital Projects	-	-	720,657	720,657
Assigned to:				
Operational Reserve	500,000	-	-	500,000
Police Reinstatement Reserve	500,000	-	-	500,000
Equipment Reserve	75,000	-	-	75,000
Building Reserve	238,810	-	-	238,810
Vehicle Reserve	75,000	-	-	75,000
Unassigned:				
	891,220	-	-	891,220
Total Fund Balance	\$ 2,349,878	\$ 6,249	\$ 1,089,599	\$ 3,445,726

8. Restricted Net Assets

Restrictions on net assets that are imposed either by creditors, grantors, laws or other regulations, or by enabling legislation are reported as restricted net assets.

9. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenditures, expenses and other disclosures. Accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all funds, except for the proprietary funds, the General fund, Reserve Fund, and the Urban Renewal Debt Service fund. The annual budget for proprietary funds is adopted on the modified accrual basis of accounting, which is not consistent with GAAP, in order to comply with Oregon Local Budget Law. The General fund and Urban Renewal Debt Service fund budget interfund loan repayments, as required by Oregon Local Budget Law, which is not consistent with GAAP. The Reserve Fund is budgeted as a separate special revenue fund under Oregon Local Budget Law, but the fund does not qualify as a Special Revenue Fund under GASB 54 and has been combined with the General Fund for GAAP. All annual appropriations lapse at fiscal year end.

Oregon Local Budget Law establishes standard procedures relating to the preparation, adoption, and execution of the annual budget.

The City begins its budgeting process by appointing Budget Committee members in the fall of each year. Management develops budget recommendations through early spring with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The City Council adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over expended, except in the case of grant receipts and bond sale proceeds, which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of budgetary control is established at the department level for the General Fund. For all other funds, the level of budgetary control is established at the personal services, materials and services, capital outlay, operating contingency, interfund transfers, debt service, and other uses.

Unexpected additional resources may be added to the budget and appropriated for expenditure by using a supplemental budget. The supplemental budget process requires a hearing before the public, publication in the newspaper, and approval by the City Council. Oregon Local Budget Law also provides certain specific exceptions to the supplemental budget process to increase appropriations. Management must obtain City Council authorization for all appropriation transfers and supplementary budgetary appropriations.

During the year ended June 30, 2012, appropriation increases and transfers were approved, and supplemental budgets were adopted. Appropriations are limited to a single fiscal year; therefore, all spending authority of the City lapses as of year-end.

B. Excess of Expenditures over Appropriations

Expenditures exceeded appropriations in the following amount:

General Fund:	
Support Services	<u>\$ 19,034</u>

C. General Fund Budgetary Basis to GAAP Reconciliation

Net change in General fund balance	\$ 210,847
Budgets required by Oregon Budget Law:	
Interfund loan proceeds	(94,600)
Interfund loan payments	<u>74,600</u>
Net change in General Fund GAAP fund balance	\$ 190,847
Net change in Reserve Fund (sub-fund of General Fund)	<u>(12,909)</u>
Net change in combined General fund balance	<u>\$ 177,938</u>

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits. The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which includes standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the City at June 30, 2012. If bank deposits at year-end are not entirely insured or collateralized with securities held by the City or by its agent in the City's name, the City must disclose the custodial credit risk that exists.

Effective July 1, 2008, there were significant changes to Oregon Revised Statutes Chapter 295, which governs the collateralization of Oregon public funds. ORS 295 now requires depository institutions to pledge a percentage of their uninsured public fund deposits. The percentage required to be pledged depends on how well the depository institution is capitalized. A well-capitalized institution is required to pledge collateral valued at least 10% of their quarter-end public fund deposits, while adequately capitalized and undercapitalized bank depositories are required to pledge collateral valued at 110% of their uninsured public fund deposits. Public officials are no longer required to request Certificates of Participation for balances in excess of FDIC insured amounts. Instead, they are required to ensure the institutions holding deposits have pledged the appropriate amount of collateral and are approved by the Office of the State Treasurer (OST). Public officials are also required to report all bank depositories in which they deposit public funds to the OST.

The City's deposits are comprised of bank demand deposits and certificates of deposit. For the fiscal year ended June 30, 2012, the carrying amount of the City's deposits was \$1,262,440 and the bank balance was \$1,329,415. All deposits are held in the name of the City. Of the bank balance, \$250,000 was covered by federal depository insurance. The remaining \$1,079,415 was collateralized under ORS 295.

Custodial credit risk for deposits is the risk that, in the event of bank failure, a government's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk.

Investments. The City of Sisters has invested funds in the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool during the year. The Oregon Short-Term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an unrated external investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry as defined by GASB Statement No. 40.

In addition, The Oregon State Treasury LGIP distributes investment income on an amortized cost basis and the participant's equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the City's cash position.

Credit Risk. State statutes authorize the City to invest primarily in general obligations of the US Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers, and the State Treasurer's investment pool, among others. The City has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk. The City is required to provide information about the concentration of credit risk associated with its investments in one issuer that represent 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The City has no such investments.

Interest Rate Risk. The City has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

Investments held by the City at June 30, 2012 are as follows:

	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Carrying Amount/ Fair Value</u>
Local Government Investment Pool	1 day	100%	\$ 4,408,099
Less amounts classified as cash equivalents			<u>(4,408,099)</u>
Total Investments			<u>\$ -</u>

A reconciliation of cash and cash equivalents as shown on the Statement of Net Assets is as follows:

Cash on hand	\$ 700
Carrying amounts of deposits	1,262,440
Local Government Investment Pool	<u>4,408,099</u>
Total cash and cash equivalents	<u>\$ 5,671,239</u>
Funds:	
<u>Governmental Activities</u>	
General	\$ 2,313,595
Street	82,452
Other Governmental Funds	<u>1,155,187</u>
Total Governmental Activities	<u>3,551,234</u>
<u>Business-Type Activities</u>	
Water (\$811,973 restricted)	917,034
Sewer (\$620,396 restricted)	<u>1,202,971</u>
Total Business-Type Activities	<u>2,120,005</u>
Total cash and cash equivalents	<u>\$ 5,671,239</u>

B. Receivables

Receivables as of fiscal year end for the governmental activities individual major funds, and non-major funds in the aggregate are as follows:

	General	Street	Other Governmental Funds	Total Governmental Activities
Property taxes	\$ 55,678	\$ -	\$ 10,355	\$ 66,033
Accounts	64,635	33,686	-	98,321
Intergovernmental	14,039	14,922	-	28,961
Assessments	-	-	204,154	204,154
Allowance For Doubtful Account	<u>(74)</u>	<u>-</u>	<u>(38,334)</u>	<u>(38,408)</u>
	<u>\$ 134,278</u>	<u>\$ 48,608</u>	<u>\$ 176,175</u>	<u>\$ 359,061</u>

Receivables as of June 30, 2012 for the business-type activities individual major funds are as follows:

	Water	Sewer	Total Business-Type Activities
Accounts	\$ 48,165	\$ 63,042	\$ 111,207
Assessments	-	10,426	10,426
Allowance for doubtful accounts	<u>(834)</u>	<u>(773)</u>	<u>(1,607)</u>
	<u>\$ 47,331</u>	<u>\$ 72,695</u>	<u>\$ 120,026</u>

Uncollected property taxes in governmental funds are shown on the statement of net assets as receivables. Property taxes are assessed and attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable on November 15. They may be paid in installments due November 15, February 15, and May 15. Taxes unpaid as of May 16 are considered delinquent. Taxes are billed and collected by Deschutes County, and remittance to the City is made at periodic intervals.

For the fiscal year 2011-2012, the City levied property taxes in the net amount of \$782,604 after reductions for offsets and increases for additional taxes and penalties. The tax rate for the fiscal year was \$2.6417, per \$1,000 of assessed value. The assessed valuation for the City as of January 1, 2012 was \$296,177,039. The Sisters Urban Renewal Agency, a blended component unit of the City, levied taxes at its maximum taxing authority. After reductions for offsets and additional taxes and penalties, this resulted in a net levy of \$135,411.

Following is a summary of property tax transactions for the year ended June 30, 2012:

	July 1, 2011	2011-12 Levy	Adjustments	Interest (Discounts)	Collections	June 30, 2012
2011-12	\$ -	\$ 918,015	\$ (6,149)	\$ (21,352)	\$ (862,038)	\$ 28,476
2010-11	38,838	-	(463)	1,299	(23,824)	15,850
2009-10	19,080	-	(135)	1,280	(10,123)	10,102
2008-09	8,805	-	(52)	1,010	(5,440)	4,323
2007-08	1,813	-	(19)	385	(1,703)	476
2006-07	221	-	(16)	41	(138)	108
2005-06	111	-	(15)	23	(67)	52
2004-05	42	-	(4)	-	(3)	35
2003-04	17	-	4	6	(16)	11
Prior years	98	-	(1)	8	(18)	87
	<u>\$ 69,025</u>	<u>\$ 918,015</u>	<u>\$ (6,850)</u>	<u>\$ (17,300)</u>	<u>\$ (903,370)</u>	<u>59,520</u>
				Cash with County		<u>6,513</u>
				Total Receivable		<u>\$ 66,033</u>

Assessment liens receivable represent the uncollected amounts levied against benefited property for costs of local improvements. Since the assessments are liens against the benefited property, an allowance for uncollectible amounts is not necessary, in most cases. The City issued new assessments during the year under reimbursement agreements and not all agreements have been signed or formally agreed upon. An allowance for \$38,334 had been established for the unsigned agreements.

Other accounts and intergovernmental receivables are considered fully collectible. Accordingly, no provision for estimated uncollectible accounts has been established.

C. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Deletion/ Transfer	Ending Balance
Capital assets, not being depreciated				
Land	\$ 639,290	\$ -	\$ -	\$ 639,290
Art and sculptures	250,000	-	-	250,000
Construction in progress	66,904	692,310	-	759,214
Total capital assets, not being depreciated	956,194	692,310	-	1,648,504
Capital assets, being depreciated				
Buildings and improvements	4,128,201	14,377	-	4,142,578
Tools and equipment	703,163	14,806	-	717,969
Office equipment	359,970	-	-	359,970
Street Improvements	2,911,237	-	-	2,911,237
Total capital assets, being depreciated	8,102,571	29,183	-	8,131,754
Accumulated depreciation for:				
Buildings	(1,676,840)	(78,017)	-	(1,754,857)
Tools and equipment	(602,102)	(22,135)	-	(624,237)
Office equipment	(328,946)	(13,685)	-	(342,631)
Street Improvements	(340,263)	(109,953)	-	(450,216)
Total accumulated depreciation	(2,948,151)	(223,790)	-	(3,171,941)
Total capital assets, being depreciated, net	5,154,420	(194,607)	-	4,959,813
Governmental activities capital assets, net	\$ 6,110,614	\$ 497,703	\$ -	\$ 6,608,317

Depreciation expense for governmental activities is charged to governmental functions as follows:

Governmental activities

General government	\$ 105,364
Culture and recreation	4,289
Highways and streets	114,137
Total depreciation expense - governmental activities	\$ 223,790

Capital asset activity for the business-type activities for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletion/ Transfer</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 4,191,605	\$ -	\$ -	\$ 4,191,605
Construction in progress	220,077	96,201	-	316,278
Total capital assets, not being depreciated	<u>4,411,682</u>	<u>96,201</u>	<u>-</u>	<u>4,507,883</u>
Capital assets, being depreciated				
Buildings and improvements	625,272	-	-	625,272
Tools and equipment	531,980	-	-	531,980
Office equipment	67,419	-	-	67,419
Infrastructure	19,997,099	-	-	19,997,099
Total capital assets, being depreciated	<u>21,221,770</u>	<u>-</u>	<u>-</u>	<u>21,221,770</u>
Less accumulated depreciation for:				
Buildings and improvements	(17,769)	(15,476)	-	(33,245)
Tools and equipment	(304,422)	(56,755)	-	(361,177)
Office equipment	(66,528)	(891)	-	(67,419)
Infrastructure	(3,765,120)	(412,893)	-	(4,178,013)
Total accumulated depreciation	<u>(4,153,839)</u>	<u>(486,015)</u>	<u>-</u>	<u>(4,639,854)</u>
Total capital assets, being depreciated, net	<u>17,067,931</u>	<u>(486,015)</u>	<u>-</u>	<u>16,581,916</u>
Business-type activities capital assets, net	<u>\$ 21,479,613</u>	<u>\$ (389,814)</u>	<u>\$ -</u>	<u>\$ 21,089,799</u>

Depreciation expense for the business-type activities was charged to functions/programs of the City as follows:

Business-type activities

Water	\$ 175,805
Sewer	<u>310,210</u>
Total depreciation expense - business-type activities	<u>\$ 486,015</u>

D. Deferred revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. The government-wide financial statements report deferred revenue only for amounts that have been received, but not earned. At the end of the current fiscal year, there was \$207,923 in unearned deferred revenue for governmental activities and \$10,776 for business-type activities.

The various components of deferred revenue reported in the governmental funds were as follows:

	General	Street	Other Governmental Funds	Totals
Property taxes	\$ 50,162	\$ -	\$ 9,358	\$ 59,520
Fuel Taxes	-	15,969	-	15,969
Intergovernmental	11,313	5,198	-	16,511
Unearned	31,718	1,000	175,205	207,923
	<u>\$ 93,193</u>	<u>\$ 22,167</u>	<u>\$ 184,563</u>	<u>\$ 299,923</u>

E. Long-term obligations

1. Full Faith and Credit Obligation Bonds – Governmental Activities

The City issued full faith and credit obligation bonds in 2008 to finance the costs of East Cascade Realignment to Fire Hall and to repay the City for costs initially internally financed. Security for the loan is the full faith and credit of the City, but is payable from Urban Renewal Agency property tax increment revenues. The obligations are payable in semi-annual payments of \$42,724, including interest at 3.95%.

The City issued full faith and credit obligation bonds in April 2006 to finance the construction of City Hall and to pay loan costs. The bond principal is payable annually and the interest is payable semiannually at 4.80%, with final payments due June 1, 2020. The bonds are direct obligations and pledge the full faith and credit of the City.

Future maturities of the combined issues are as follows:

2013	\$ 163,444	\$ 60,528
2014	170,737	53,236
2015	178,355	45,617
2016	186,318	37,653
2017	194,638	29,334
2018	203,242	20,639
2019	126,125	12,398
2020	132,180	6,344
	<u>\$ 1,355,039</u>	<u>\$ 265,749</u>

2. Revenue Bonds Payable – Business-Type Activities – Sewer Fund

In September of 2000, sewer revenue bonds were issued in the amount of \$3,325,700 and \$2,382,300 to construct a sewer system. These bonds carry an interest rate of 4.5% and are to be repaid in annual installments of \$180,752 and \$129,479 for 40 years. These bonds are held by Rural Development of the USDA and require that a reserve of retained earnings be established for debt service of \$31,028 annually (reserve of \$310,280 as of June 30, 2012) until a total reserve of \$310,280 is established. The total unpaid principal on these two bonds as of June 30, 2012 was \$4,860,086. Future maturities of the bonds are as follows:

2013	\$	91,527	\$	218,704
2014		95,646		214,585
2015		99,950		210,281
2016		104,448		205,783
2017		109,147		201,084
2018-2022		623,987		927,168
2023-2027		777,601		773,554
2028-2032		969,030		582,125
2033-2037		1,207,588		343,567
203-2041		781,162		74,257
	\$	<u>4,860,086</u>	\$	<u>3,751,108</u>

3. Loans Payable – Business-Type Activities – Sewer Fund

On May 9, 1999, a loan in the amount of \$42,080 was borrowed from the State of Oregon Department of Environmental Quality (DEQ) to assist in the financing of the construction of a sewer wastewater system facility. The loan requires annual payments of \$1,483 for 40 years, including interest at 3.39%, and a reserve of \$3,047 is required. The unpaid principal balance as of June 30, 2012 was \$23,935.

On April 12, 2000, a loan in the amount of \$1,000,000 was borrowed from the State of Oregon Economic Development Department (OEDD) to assist in the financing of the construction of a sewer system. The loan requires 25 annual payments of approximately \$75,000, including interest at 5.53%. The unpaid principal balance at June 30, 2012 was \$680,200.

On July 23, 2002, a loan in the amount of \$250,000 was borrowed from the State of Oregon Economic Development Department (OEDD) to assist in the financing of the construction of a sewer system. The loan requires 25 annual payments of \$18,637, including interest at 5.5%. The unpaid principal balance at June 30, 2012 was \$187,074.

In December 2006, a loan in the amount of \$1,700,000 was borrowed from the Bank of America to purchase 230.89 acres of property for effluent disposal and reuse. The loan requires quarterly interest and principal payments of \$39,803, including interest at 4.40%. The unpaid principal balance at June 30, 2012 was \$1,230,727.

Future maturities of the loans payable are as follows:

2013	\$	153,618	\$	101,300
2014		164,276		93,993
2015		170,194		86,150
2016		176,384		78,035
2017		187,859		69,634
2018-2022		985,841		206,638
2023-2027		283,764		36,922
	\$	<u>2,121,936</u>	\$	<u>672,672</u>

4. Changes in Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2012, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Full Faith and Credit Bonds	\$ 1,511,504	\$ -	\$ 156,465	\$ 1,355,039	\$ 163,444
Compensated Absences	28,750	31,429	28,750	31,429	23,572
Governmental activity Long-term obligations	<u>\$ 1,540,254</u>	<u>\$ 31,429</u>	<u>\$ 185,215</u>	<u>\$ 1,386,468</u>	<u>\$ 187,016</u>
Business - type activities					
Revenue Bonds Payable	\$ 4,947,672	\$ -	\$ 87,586	\$ 4,860,086	\$ 91,527
Loans Payable	2,270,157	-	148,221	2,121,936	153,618
Compensated Absences	17,506	16,726	17,506	16,726	12,544
Business-type activity Long-term obligations	<u>\$ 7,235,335</u>	<u>\$ 16,726</u>	<u>\$ 253,313</u>	<u>\$ 6,998,748</u>	<u>\$ 257,689</u>

F. Advances to/from Other Funds

The General Fund loaned the Urban Renewal Debt Service Fund \$500,000 in prior years for street improvements and sidewalk extensions for the East Cascade Avenue re-alignment and \$100,000 for capital projects. The Urban Renewal Debt Service had made a final payment of \$50,000 on its street improvement loan. Capital Project loan is scheduled to be paid off over the next three years, with interest at 4.0%. However, the loan repayment terms are subject to change and the entire balance is reported as advances to/from other funds. The outstanding balance at June 30, 2012 is \$55,000.

G. Transfers

Net transfers between governmental activities and business-type activities in the government-wide financial statements consist of transfers out of the governmental activities and transfers into the business-type activities in the amount of \$57,000.

A reconciliation of transfers in the fund financial statements is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
General	\$ -	\$ 63,000
Street	-	19,000
Other funds	213,600	74,600
Capital asset transfer	-	-
Business-type activities:		
Water	-	24,000
Sewer	-	33,000
	<u>\$ 213,600</u>	<u>\$ 213,600</u>

As part of the budget preparation and adoption, the City anticipates making interfund transfers to move resources between funds to provide resources for specific expenditures that are not supported by other revenues. Other transfers are to provide resources to pay debt service.

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; and errors and omissions for which the City carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage for the past three years.

B. Defined Benefit Pension Plan – Public Employees Retirement System

1. Plan Description

The City of Sisters contributes to the Oregon Public Employees Retirement Fund (OPERF), a cost sharing, multiple employer Defined Benefit Pension Plan, administered by the State of Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Oregon Revises Statutes 238 assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan (“OPSRP”) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six-month or greater break in service. The new plan consists of a defined benefit program (the “Pension Program”) and a defined contribution portion (the Individual Account Program or “IAP”). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on the type of service (general versus police or fire).

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by OPERB may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, by calling 1-503-598-7377, or by accessing the PERS web site at www.pers.state.or.us.

2. Funding Policy

Plan members are required to contribute 6% of their annual covered salary. The City is required by ORS 238.225 to contribute at an actuarially determined rate; the current rate is 11.09% of annual covered payroll for Tier I and Tier II employees. Public employees hired after August 29, 2003, after a six month waiting period, become members of the Oregon Public Service Retirement Plan (OPSRP). The rate for OPSRP is set at 7.72% of covered payroll. The contribution requirement of plan members and their employers are established under ORS Chapter 238, and may be amended by the PERS Board of Trustees. The City's contributions to PERS for the years ending June 30, 2012, 2011, and 2010 were \$124,548, \$81,175, and \$87,413 respectively, equal to the required contributions each year.

The pension liability (asset) was determined in accordance with Government Accounting Standards Board Statement No. 27. Since all actuarially determined contributions have been paid, the pension liability (asset) is zero.

C. Construction in Progress

The City is committed under various construction contracts at June 30, 2012. Major projects in progress at June 30, 2012 are as follows:

The Lazy Z - Effluent Disposal Design is approximately 9% complete. Costs incurred to date are \$125,285, with total estimated costs of \$1,345,000.

The Well #1 Improvements project is approximately 12% complete. Costs incurred to date are \$45,730, with total costs of \$390,750.

The Barclay Signal/Roundabout Feasibility project is approximately 22% complete. Costs incurred to date are \$26,850, with estimated costs of \$120,000.

The Safe Routes to School project is approximately 59% complete. The project is funded by both the City and Oregon Department of Transportation. Costs incurred to date are \$48,600 and \$122,200 by ODOT with estimated costs of \$290,000. The ODOT portion is expected to be contributed to the City upon completion of the project.

The Old City Hall Demolition project is approximately 88% complete. Costs incurred to date are \$13,168, with estimated costs of \$15,000.

The City has decided to temporarily putting several construction projects on hold due to economic downturn and limited funding. These projects are as follow: Well #2 improvement, Washington to Main project, Jefferson Multi-use path project, SCADA Upgrades, Reservoir development, and DEV Upsizing/Creekside Water Loop.

D. Subsequent Events

The Petition for review of gas tax was filed by American Energy, Inc with the Oregon Supreme Court on June 28th, 2012. The case is currently pending before the Oregon Supreme Court. The attorney expects the court will uphold the decision of the trial court and the Court of Appeals.

Cascade Avenue project is still in process of being funded. The project is mainly supported by Oregon Department of Transportation. The City was award a Transportation Enhancement Program grant of approximately \$1,139,030, with a built-in matching of \$130,367. Total funding awarded to both Oregon Department of Transportation and the City is \$5,120,003 while total estimated project costs are \$5,809,903 creating a funding gap of \$689,000.

THIS PAGE INTENTIONALLY LEFT BLANK



SUPPLEMENTAL INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK



COMBINING STATEMENTS

Non-Major Governmental Funds

Capital Project Funds- These funds account for expenditures on major construction projects or equipment acquisition. The principal sources of revenues are proceeds from long-term obligations issued to finance capital acquisitions, improvements and development charges. Funds included in this category are:

- *Transportation SDC Fund* – accounts for system development charges to construct transportation facilities necessitated by new development.
- *Park SDC* – provides the accounting for system development charges accounts. The funds are reserved for future park improvement projects in accordance with the terms of collection.
- *Parking District* – provides the accounting for development fees collected from developers or businesses located in Commercial Parking District for parking improvements per the City's Parking Master Plan.

Special Revenue Funds- These funds account for revenue from specific sources that are legally restricted to expenditures for specified purposes. Funds included in this category are:

- *Urban Renewal Project Fund* – The Urban Renewal Project Fund accounts for construction projects related to the downtown core area of the Urban Renewal District. Principal sources of revenues are property taxes, grants, and interest on investments.
- *Reserve (now a sub-fund of the General Fund)* Accounts for money set aside for replacement of capital assets. The principal revenue sources are contributions by other funds and earnings on investments.

Debt Service Funds – These funds account for revenues and expenditures related to the repayment of long-term indebtedness. Funds included in this category are:

- *City Hall Remodel* – accounts for the funds set aside for the construction of a City Hall and the related debt service. The principal revenue sources are loan proceeds, transfers, and interest.
- *Urban Renewal Debt Service* – accounts for debt service associated with the downtown core area construction projects. The principal resource of revenue to pay the debt comes from urban renewal taxes.

**CITY OF SISTERS, OREGON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2012**

	Capital Project		Special Revenue	Debt Service		Totals	
	Transportation SDC Fund	Park SDC Fund	Parking District Fund	Urban Renewal Project Fund	City Hall Debt Service Fund		Urban Renewal Debt Service Fund
ASSETS							
Cash and cash equivalents	\$ 502,525	\$ 108,365	\$ 89,170	\$ 32,182	\$ 15,323	\$ 407,622	\$ 1,155,187
Receivables:							
Property taxes	-	-	-	-	-	10,355	10,355
Assessments, net	-	-	165,820	-	-	-	165,820
Total assets	<u>\$ 502,525</u>	<u>\$ 108,365</u>	<u>\$ 254,990</u>	<u>\$ 32,182</u>	<u>\$ 15,323</u>	<u>\$ 417,977</u>	<u>\$ 1,331,362</u>
LIABILITIES							
Accounts payable and accrued liabilities	\$ 2,000	\$ -	\$ -	\$ 200	\$ -	\$ -	\$ 2,200
Deferred revenue	-	-	175,205	-	-	9,358	184,563
Advances from other funds	-	-	-	-	-	55,000	55,000
Total liabilities	<u>2,000</u>	<u>-</u>	<u>175,205</u>	<u>200</u>	<u>-</u>	<u>64,358</u>	<u>241,763</u>
FUND BALANCES							
Restricted	<u>500,525</u>	<u>108,365</u>	<u>79,785</u>	<u>31,982</u>	<u>15,323</u>	<u>353,619</u>	<u>1,089,599</u>
Total fund balances	<u>500,525</u>	<u>108,365</u>	<u>79,785</u>	<u>31,982</u>	<u>15,323</u>	<u>353,619</u>	<u>1,089,599</u>
Total liabilities and fund balances	<u>\$ 502,525</u>	<u>\$ 108,365</u>	<u>\$ 254,990</u>	<u>\$ 32,182</u>	<u>\$ 15,323</u>	<u>\$ 417,977</u>	<u>\$ 1,331,362</u>

See auditor's report.

CITY OF SISTERS, OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012

	Capital Project			Special Revenue	Debt Service		Totals
	Transportation SDC Fund	Park SDC Fund	Parking District Fund	Urban Renewal Project Fund	City Hall Debt Service Fund	Urban Renewal Debt Service Fund	
REVENUES							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$134,114	\$ 134,114
Licenses and fees	-	-	13,980	-	-	-	13,980
Intergovernmental	-	5,295	-	-	-	-	5,295
System development charges	49,784	6,130	-	-	-	-	55,914
Interest on investments	2,780	622	456	7	73	2,961	6,899
TOTAL REVENUES	<u>52,564</u>	<u>12,047</u>	<u>14,436</u>	<u>7</u>	<u>73</u>	<u>137,075</u>	<u>216,202</u>
EXPENDITURES							
Current:							
Community development	-	-	-	3,687	-	-	3,687
Capital outlay	11,444	14,806	-	41,314	-	-	67,564
Debt service	-	-	-	-	138,524	88,448	226,972
TOTAL EXPENDITURES	<u>11,444</u>	<u>14,806</u>	<u>-</u>	<u>45,001</u>	<u>138,524</u>	<u>88,448</u>	<u>298,223</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>41,120</u>	<u>(2,759)</u>	<u>14,436</u>	<u>(44,994)</u>	<u>(138,451)</u>	<u>48,627</u>	<u>(82,021)</u>
OTHER FINANCING SOURCES							
Transfers in	-	-	-	74,600	139,000	-	213,600
Transfers out	-	-	-	-	-	(74,600)	(74,600)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,600</u>	<u>139,000</u>	<u>(74,600)</u>	<u>139,000</u>
NET CHANGE IN FUND BALANCE	41,120	(2,759)	14,436	29,606	549	(25,973)	56,979
FUND BALANCE, Beginning	<u>459,405</u>	<u>111,124</u>	<u>65,349</u>	<u>2,376</u>	<u>14,774</u>	<u>379,592</u>	<u>1,032,620</u>
FUND BALANCE, Ending	<u>\$ 500,525</u>	<u>\$ 108,365</u>	<u>\$ 79,785</u>	<u>\$ 31,982</u>	<u>\$ 15,323</u>	<u>\$353,619</u>	<u>\$ 1,089,599</u>

See auditor's report.

**CITY OF SISTERS, OREGON
COMBINING BALANCE SHEET
COMBINED GENERAL FUND
June 30, 2012**

	General Fund	Reserve Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 924,785	\$ 1,388,810	\$ 2,313,595
Receivables:			
Property taxes	55,678	-	55,678
Accounts	78,600	-	78,600
Advances to other funds	<u>55,000</u>	<u>-</u>	<u>55,000</u>
 Total assets	 <u>\$ 1,114,063</u>	 <u>\$ 1,388,810</u>	 <u>\$ 2,502,873</u>
 LIABILITIES			
Accounts payable and accrued liabilities	\$ 56,164	\$ -	\$ 56,164
Deposits	3,638	-	3,638
Deferred revenue	<u>93,193</u>	<u>-</u>	<u>93,193</u>
 Total liabilities	 <u>152,995</u>	 <u>-</u>	 <u>152,995</u>
 FUND BALANCES			
Nonspendable	55,000	-	55,000
Restricted	14,848	-	14,848
Assigned	-	1,388,810	1,388,810
Unassigned	<u>891,220</u>	<u>-</u>	<u>891,220</u>
 Total fund balances	 <u>961,068</u>	 <u>1,388,810</u>	 <u>2,349,878</u>
 Total liabilities and fund balances	 <u>\$ 1,114,063</u>	 <u>\$ 1,388,810</u>	 <u>\$ 2,502,873</u>

See auditor's report.

**CITY OF SISTERS, OREGON
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 COMBINED GENERAL FUND
 For the Fiscal Year Ended June 30, 2012**

	General Fund	Reserve Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property taxes	\$ 769,256	\$ -	\$ 769,256
Other taxes	307,575	-	307,575
Franchise fees	202,042	-	202,042
Licenses and fees	275,752	-	275,752
Charges for services	24,700	-	24,700
Intergovernmental	176,558	-	176,558
Fines and forfeitures	1,766	-	1,766
Rental income	9,000	-	9,000
Interest on investments	8,205	8,069	16,274
Miscellaneous	10,174	-	10,174
	<u>1,785,028</u>	<u>8,069</u>	<u>1,793,097</u>
TOTAL REVENUES			
EXPENDITURES			
Current:			
General government	900,854	-	900,854
Public safety	449,961	-	449,961
Culture and recreation	180,366	-	180,366
Capital outlay	<u>-</u>	<u>20,978</u>	<u>20,978</u>
	<u>1,531,181</u>	<u>20,978</u>	<u>1,552,159</u>
TOTAL EXPENDITURES			
REVENUES OVER (UNDER) EXPENDITURES	<u>253,847</u>	<u>(12,909)</u>	<u>240,938</u>
OTHER FINANCING SOURCES			
Transfers out	<u>(63,000)</u>	<u>-</u>	<u>(63,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(63,000)</u>	<u>-</u>	<u>(63,000)</u>
NET CHANGE IN FUND BALANCE	190,847	(12,909)	177,938
FUND BALANCE, Beginning	<u>770,221</u>	<u>1,401,719</u>	<u>2,171,940</u>
FUND BALANCE, Ending	<u>\$ 961,068</u>	<u>\$ 1,388,810</u>	<u>\$ 2,349,878</u>

See auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK



BUDGETARY COMPARISON SCHEDULES

Pursuant to the provisions of Oregon Revised Statute 297.465, Oregon Administrative Rule #162-010-0130, *Minimum Standards for Audits of Oregon Municipal Corporations*, requires an individual schedule of revenues, expenditures/expenses, and changes in fund balances/net assets, budget and actual be displayed for each fund where legally adopted budgets are required.

In accordance with GASB Statement #34, the City's General Fund and any major special revenue fund (currently only the Street fund) are presented as the third of the basic governmental fund financial statements. All other budgetary comparisons are displayed in the following pages as supplemental information.

THIS PAGE INTENTIONALLY LEFT BLANK



**SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), BY DEPARTMENT**

▪ **General Fund**

CITY OF SISTERS, OREGON
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), BY DEPARTMENT
GENERAL FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
EXPENDITURES AND TRANSFERS				
Administration	\$ 373,466	\$ 374,196	\$ 355,444	\$ 18,752
Maintenance	97,669	107,369	103,962	3,407
Parks	191,055	191,055	180,366	10,689
Police	449,966	449,966	449,961	5
Planning	261,831	302,431	276,514	25,917
Support services	110,800	145,900	164,934	(19,034)
Interfund loan transfer	2,200	74,600	74,600	-
Transfer	63,000	63,000	63,000	-
Contingency	541,087	452,257	-	452,257
TOTAL EXPENDITURES AND TRANSFERS	\$ 2,091,074	\$ 2,160,774	\$ 1,668,781	\$ 491,993

See auditor's report.

**SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

Governmental Funds

Capital Project Funds

- Transportation SDC
- Park SDC
- Parking District

Special Revenue Funds

- Urban Renewal Project
- Reserve (Sub-fund of the General Fund)

Debt Service Funds

- City Hall Debt Service
- Urban Renewal Debt Service

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
TRANSPORTATION SDC FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
System development charges	\$ 15,000	\$ 15,000	\$ 49,784	\$ 34,784
Interest on investments	2,000	2,000	2,780	780
TOTAL REVENUES	<u>17,000</u>	<u>17,000</u>	<u>52,564</u>	<u>35,564</u>
EXPENDITURES				
Capital outlay	107,500	117,100	11,444	105,656
Contingency	361,753	359,305	-	359,305
TOTAL EXPENDITURES	<u>469,253</u>	<u>476,405</u>	<u>11,444</u>	<u>464,961</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(452,253)</u>	<u>(459,405)</u>	<u>41,120</u>	<u>500,525</u>
NET CHANGE IN FUND BALANCE	(452,253)	(459,405)	41,120	500,525
FUND BALANCE, Beginning	<u>452,253</u>	<u>459,405</u>	<u>459,405</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500,525</u>	<u>\$ 500,525</u>

See auditor's report.

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
PARK SDC FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 5,295	\$ 5,295
System development charges	5,000	5,000	6,130	1,130
Interest on investments	500	500	622	122
TOTAL REVENUES	<u>5,500</u>	<u>5,500</u>	<u>12,047</u>	<u>6,547</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Materials and services	20,000	20,000	-	20,000
Capital outlay	-	14,900	14,806	94
Contingency	106,922	92,022	-	92,022
TOTAL EXPENDITURES	<u>126,922</u>	<u>126,922</u>	<u>14,806</u>	<u>112,116</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(121,422)</u>	<u>(121,422)</u>	<u>(2,759)</u>	<u>118,663</u>
NET CHANGE IN FUND BALANCE	(121,422)	(121,422)	(2,759)	118,663
FUND BALANCE, Beginning	<u>121,422</u>	<u>121,422</u>	<u>111,124</u>	<u>(10,298)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,365</u>	<u>\$ 108,365</u>

See auditor's report.

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
PARKING DISTRICT FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Licenses and fees	\$ 15,000	\$ 15,000	\$ 13,980	\$ (1,020)
Interest on investments	300	300	456	156
TOTAL REVENUES	<u>15,300</u>	<u>15,300</u>	<u>14,436</u>	<u>(864)</u>
EXPENDITURES				
Contingency	80,007	80,007	-	80,007
TOTAL EXPENDITURES	<u>80,007</u>	<u>80,007</u>	<u>-</u>	<u>80,007</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(64,707)</u>	<u>(64,707)</u>	<u>14,436</u>	<u>79,143</u>
NET CHANGE IN FUND BALANCE	(64,707)	(64,707)	14,436	79,143
FUND BALANCE, Beginning	<u>64,707</u>	<u>64,707</u>	<u>65,349</u>	<u>642</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,785</u>	<u>\$ 79,785</u>

See auditor's report.

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
URBAN RENEWAL PROJECT FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Interest on investments	\$ -	\$ -	\$ 7	\$ 7
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>7</u>	<u>7</u>
EXPENDITURES				
Current:				
Community development:				
Materials and services	3,950	3,950	3,687	263
Capital outlay	-	72,400	41,314	31,086
Contingency	323	323	-	323
TOTAL EXPENDITURES	<u>4,273</u>	<u>76,673</u>	<u>45,001</u>	<u>31,672</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(4,273)</u>	<u>(76,673)</u>	<u>(44,994)</u>	<u>31,679</u>
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds	2,200	74,600	74,600	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,200</u>	<u>74,600</u>	<u>74,600</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(2,073)	(2,073)	29,606	31,679
FUND BALANCE, Beginning	<u>2,073</u>	<u>2,073</u>	<u>2,376</u>	<u>303</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,982</u>	<u>\$ 31,982</u>

See auditor's report.

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
RESERVE FUND (SUB-FUND OF THE GENERAL FUND)
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ 8,000	\$ 8,000	\$ 8,069	\$ 69
TOTAL REVENUES	<u>8,000</u>	<u>8,000</u>	<u>8,069</u>	<u>69</u>
EXPENDITURES				
Capital outlay	47,325	47,325	20,978	26,347
Contingency	<u>1,311,052</u>	<u>1,311,052</u>	<u>-</u>	<u>1,311,052</u>
TOTAL EXPENDITURES	<u>1,358,377</u>	<u>1,358,377</u>	<u>20,978</u>	<u>1,337,399</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,350,377)</u>	<u>(1,350,377)</u>	<u>(12,909)</u>	<u>1,337,468</u>
NET CHANGE IN FUND BALANCE	(1,350,377)	(1,350,377)	(12,909)	1,337,468
FUND BALANCE, Beginning	<u>1,350,377</u>	<u>1,350,377</u>	<u>1,401,719</u>	<u>51,342</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,388,810</u>	<u>\$ 1,388,810</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CITY HALL DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ 200	\$ 200	\$ 73	\$ (127)
TOTAL REVENUES	<u>200</u>	<u>200</u>	<u>73</u>	<u>(127)</u>
EXPENDITURES				
Debt service	139,000	139,000	138,524	476
Contingency	14,535	14,535	-	14,535
TOTAL EXPENDITURES	<u>153,535</u>	<u>153,535</u>	<u>138,524</u>	<u>15,011</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(153,335)</u>	<u>(153,335)</u>	<u>(138,451)</u>	<u>14,884</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	139,000	139,000	139,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>139,000</u>	<u>139,000</u>	<u>139,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(14,335)	(14,335)	549	14,884
FUND BALANCE, Beginning	<u>14,335</u>	<u>14,335</u>	<u>14,774</u>	<u>439</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,323</u>	<u>\$ 15,323</u>

See auditor's report.

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
URBAN RENEWAL DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 167,000	\$ 167,000	\$ 134,114	\$ (32,886)
Interest on investments	4,000	4,000	2,961	(1,039)
TOTAL REVENUES	<u>171,000</u>	<u>171,000</u>	<u>137,075</u>	<u>(33,925)</u>
EXPENDITURES				
Debt service	88,600	88,600	88,448	152
Contingency	352,195	279,795	-	279,795
TOTAL EXPENDITURES	<u>440,795</u>	<u>368,395</u>	<u>88,448</u>	<u>279,947</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(269,795)</u>	<u>(197,395)</u>	<u>48,627</u>	<u>246,022</u>
OTHER FINANCING SOURCES (USES)				
Interfund loan repayment	(22,200)	(94,600)	(94,600)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(22,200)</u>	<u>(94,600)</u>	<u>(94,600)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(291,995)	(291,995)	(45,973)	246,022
Budgetary basis adjustment	-	-	20,000	20,000
FUND BALANCE, Beginning	<u>291,995</u>	<u>291,995</u>	<u>379,592</u>	<u>87,597</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 353,619</u>	<u>\$ 353,619</u>

**SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

Proprietary Funds

Enterprise Funds

- All Water Funds
 - Water
 - Water SDC

- All Sewer Funds
 - Sewer
 - Sewer SDC

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WATER FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Licenses and fees	\$ 3,000	\$ 3,000	\$ 3,855	\$ 855
Charges for services	483,100	483,100	509,097	25,997
Interest on investments	400	400	862	462
Miscellaneous	-	-	400	400
TOTAL REVENUES	<u>486,500</u>	<u>486,500</u>	<u>514,214</u>	<u>27,714</u>
EXPENDITURES				
Current:				
Personal services	244,446	244,446	237,474	6,972
Materials and services	190,550	203,050	179,722	23,328
Capital outlay	-	48,850	45,730	3,120
Contingency	57,256	38,402	-	38,402
TOTAL EXPENDITURES	<u>492,252</u>	<u>534,748</u>	<u>462,926</u>	<u>71,822</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(5,752)</u>	<u>(48,248)</u>	<u>51,288</u>	<u>99,536</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(24,000)	(24,000)	(24,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(24,000)</u>	<u>(24,000)</u>	<u>(24,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(29,752)	(72,248)	27,288	99,536
FUND BALANCE, Beginning	<u>29,752</u>	<u>72,248</u>	<u>72,248</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,536</u>	<u>\$ 99,536</u>

See auditor's report.

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WATER SDC FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
System development charges	\$ 35,000	\$ 35,000	\$ 72,554	\$ 37,554
Interest on investments	3,800	3,800	4,460	660
TOTAL REVENUES	<u>38,800</u>	<u>38,800</u>	<u>77,014</u>	<u>38,214</u>
EXPENDITURES				
Capital outlay	110,000	110,000	-	110,000
Contingency	476,281	476,281	-	476,281
TOTAL EXPENDITURES	<u>586,281</u>	<u>586,281</u>	<u>-</u>	<u>586,281</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(547,481)</u>	<u>(547,481)</u>	<u>77,014</u>	<u>624,495</u>
NET CHANGE IN FUND BALANCE	(547,481)	(547,481)	77,014	624,495
FUND BALANCE, Beginning	<u>547,481</u>	<u>547,481</u>	<u>734,960</u>	<u>187,479</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 811,974</u>	<u>\$ 811,974</u>

See auditor's report.

**CITY OF SISTERS, OREGON
RECONCILIATION TO GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES
ALL WATER FUNDS
For the Fiscal Year Ended June 30, 2012**

BUDGETARY BASIS FUND BALANCE (NON-GAAP):	
Water	\$ 99,536
Water SDC	<u>811,974</u>
	911,510
Adjustments:	
Capital assets, net of depreciation	5,945,591
Compensated absences	<u>(8,636)</u>
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES BASIS (GAAP) NET ASSETS	 <u><u>\$ 6,848,465</u></u>

See auditor's report.

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SEWER FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Licenses and fees	\$ 3,000	\$ 3,000	\$ 3,952	\$ 952
Charges for services	690,000	690,000	695,228	5,228
Rental income	48,000	48,000	48,000	-
Interest on investments	6,000	6,000	5,046	(954)
Miscellaneous	-	-	26,533	26,533
TOTAL REVENUES	<u>747,000</u>	<u>747,000</u>	<u>778,759</u>	<u>31,759</u>
EXPENDITURES				
Current:				
Personal services	292,816	292,816	271,414	21,402
Materials and services	191,150	191,150	175,205	15,945
Capital outlay	12,100	12,100	-	12,100
Debt service	408,700	408,700	407,715	985
Contingency	515,445	515,445	-	515,445
TOTAL EXPENDITURES	<u>1,420,211</u>	<u>1,420,211</u>	<u>854,334</u>	<u>565,877</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(673,211)</u>	<u>(673,211)</u>	<u>(75,575)</u>	<u>597,636</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(33,000)	(33,000)	(33,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(33,000)</u>	<u>(33,000)</u>	<u>(33,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(706,211)	(706,211)	(108,575)	597,636
FUND BALANCE, Beginning	<u>706,211</u>	<u>706,211</u>	<u>1,052,992</u>	<u>346,781</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 944,417</u>	<u>\$ 944,417</u>

See auditor's report.

CITY OF SISTERS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SEWER SDC FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
System development charges	\$ 45,000	\$ 45,000	\$ 91,530	\$ 46,530
Interest on investments	1,800	1,800	2,205	405
TOTAL REVENUES	<u>46,800</u>	<u>46,800</u>	<u>93,735</u>	<u>46,935</u>
EXPENDITURES				
Current:				
Materials and services	8,000	8,000	7,500	500
Capital outlay	7,400	57,400	50,470	6,930
Debt service	159,500	159,500	159,213	287
Contingency	280,216	230,216	-	230,216
TOTAL EXPENDITURES	<u>455,116</u>	<u>455,116</u>	<u>217,183</u>	<u>237,933</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(408,316)</u>	<u>(408,316)</u>	<u>(123,448)</u>	<u>284,868</u>
NET CHANGE IN FUND BALANCE	(408,316)	(408,316)	(123,448)	284,868
FUND BALANCE, Beginning	<u>408,316</u>	<u>408,316</u>	<u>431,069</u>	<u>22,753</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 307,621</u>	<u>\$ 307,621</u>

See auditor's report.

**CITY OF SISTERS, OREGON
RECONCILIATION TO GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES
ALL SEWER FUNDS
For the Fiscal Year Ended June 30, 2012**

BUDGETARY BASIS FUND BALANCE (NON-GAAP):	
Sewer	\$ 944,417
Sewer SDC	<u>307,621</u>
	1,252,038
 Adjustments:	
Capital assets, net of depreciation	15,144,208
Compensated absences	(8,090)
Accrued interest payable	(215,162)
Long-term debt	<u>(6,982,022)</u>
 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES BASIS (GAAP) NET ASSETS	 <u>\$ 9,190,972</u>

THIS PAGE INTENTIONALLY LEFT BLANK



OTHER FINANCIAL SCHEDULES

CITY OF THE SISTERS, OREGON
SCHEDULE OF OUTSTANDING DEBT PRINCIPAL
AND INTEREST TRANSACTIONS
For the Fiscal Year Ended June 30, 2012

	Interest Rates	Date of Issue	Original Amount	Principal			Outstanding June 30, 2012	Interest Matured and Paid
				Outstanding July 1, 2011	Issued	Matured and Paid		
Governmental Funds								
2006 Full Faith and Credit Bonds	4.80%	4/5/2006	\$ 1,400,000	\$ 993,434	\$ -	\$ 90,839	\$ 902,595	\$ 47,685
2008 Full Faith and Credit Bonds	3.95%	5/2/2008	\$ 700,000	518,070	-	65,626	452,444	19,822
				<u>1,511,504</u>	<u>-</u>	<u>156,465</u>	<u>1,355,039</u>	<u>67,507</u>
Enterprise Funds								
USDA Revenue Bond	4.50%	9/1/2000	\$ 2,382,300	2,108,574	-	34,593	2,073,981	94,886
USDA Revenue Bond	4.50%	9/1/2000	\$ 3,325,700	2,839,098	-	52,993	2,786,105	127,759
DEQ Loan Payable	3.39%	5/9/1999	\$ 42,080	26,036	-	2,101	23,935	995
OEDD Loan Payable	5.25-5.625	4/12/2000	\$ 1,000,000	716,163	-	35,963	680,200	39,788
OEDD Loan Payable	5.50%	7/23/2002	\$ 250,000	194,987	-	7,913	187,074	10,724
Lazy Z Real Estate Loan	4.40%	12/14/2006	\$ 1,700,000	1,332,971	-	102,244	1,230,727	56,970
				<u>7,217,829</u>	<u>-</u>	<u>235,807</u>	<u>6,982,022</u>	<u>331,122</u>
Total				<u>\$ 8,729,333</u>	<u>\$ -</u>	<u>\$ 392,272</u>	<u>\$ 8,337,061</u>	<u>\$ 398,629</u>

See auditor's report.

CITY OF THE SISTERS, OREGON
SCHEDULE OF GOVERNMENTAL ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS
June 30, 2012

Year Ending June 30	2006 Full Faith and Credit Bonds		2008 Full Faith and Credit Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 95,200	\$ 43,324	\$ 68,244	\$ 17,204	\$ 163,444	\$ 60,528
2014	99,769	38,754	70,968	14,482	170,737	53,236
2015	104,558	33,966	73,797	11,651	178,355	45,617
2016	109,577	28,948	76,741	8,705	186,318	37,653
2017	114,836	23,688	79,802	5,646	194,638	29,334
2018	120,350	18,176	82,892	2,463	203,242	20,639
2019	126,125	12,398	-	-	126,125	12,398
2020	132,180	6,344	-	-	132,180	6,344
	-	-	-	-	-	-
	<u>\$ 902,595</u>	<u>\$ 205,598</u>	<u>\$ 452,444</u>	<u>\$ 60,151</u>	<u>\$ 1,355,039</u>	<u>\$ 265,749</u>

See auditor's report.

CITY OF THE SISTERS, OREGON
SCHEDULE OF BUSINESS-TYPE ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS - REVENUE BONDS PAYABLE
June 30, 2012

Year Ending June 30	USDA Revenue Bond		USDA Revenue Bond		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 36,150	\$ 93,329	\$ 55,377	\$ 125,375	\$ 91,527	\$ 218,704
2014	37,777	91,702	57,869	122,883	95,646	214,585
2015	39,477	90,002	60,473	120,279	99,950	210,281
2016	41,253	88,226	63,195	117,557	104,448	205,783
2017	43,109	86,370	66,038	114,714	109,147	201,084
2018	45,049	84,430	69,010	111,742	114,059	196,172
2019	47,077	82,402	72,116	108,636	119,193	191,038
2020	49,195	80,284	75,361	105,391	124,556	185,675
2021	51,409	78,070	78,752	102,000	130,161	180,070
2022	53,722	75,757	82,296	98,456	136,018	174,213
2023	56,140	73,339	85,999	94,753	142,139	168,092
2024	58,666	70,813	89,869	90,883	148,535	161,696
2025	61,306	68,173	93,913	86,839	155,219	155,012
2026	64,065	65,414	98,139	82,613	162,204	148,027
2027	66,948	62,531	102,556	78,196	169,504	140,727
2028	69,960	59,519	107,171	73,581	177,131	133,100
2029	73,108	56,371	111,993	68,759	185,101	125,130
2030	76,398	53,081	117,033	63,719	193,431	116,800
2031	79,836	49,643	122,299	58,453	202,135	108,096
2032	83,429	46,050	127,803	52,949	211,232	98,999
2033	87,183	42,296	133,554	47,198	220,737	89,494
2034	91,106	38,373	139,564	41,188	230,670	79,561
2035	95,206	34,273	145,844	34,908	241,050	69,181
2036	99,490	29,989	152,407	28,345	251,897	58,334
2037	103,968	25,511	159,266	21,486	263,234	46,997
2038	108,646	20,833	166,433	14,319	275,079	35,152
2039	113,535	15,944	151,775	6,830	265,310	22,774
2040	118,644	10,835	-	-	118,644	10,835
2041	122,129	5,496	-	-	122,129	5,496
	<u>\$ 2,073,981</u>	<u>\$ 1,679,056</u>	<u>\$ 2,786,105</u>	<u>\$ 2,072,052</u>	<u>\$ 4,860,086</u>	<u>\$ 3,751,108</u>

See auditor's report.

CITY OF THE SISTERS, OREGON
SCHEDULE OF BUSINESS-TYPE ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS - LOANS PAYABLE
June 30, 2012

Year Ending June 30	DEQ Loan Payable		OEDD Loan Payable		OEDD Loan Payable		Lazy Z Real Estate Loan		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 2,173	\$ 793	\$ 36,291	\$ 37,810	\$ 8,348	\$ 10,289	\$ 106,806	\$ 52,408	\$ 153,618	\$ 101,300
2014	2,247	719	41,638	35,814	8,807	9,830	111,584	47,630	164,276	93,993
2015	2,324	642	42,003	33,524	9,292	9,345	116,575	42,639	170,194	86,150
2016	2,403	563	42,388	31,214	9,803	8,834	121,790	37,424	176,384	78,035
2017	2,486	480	47,794	28,882	10,342	8,295	127,237	31,977	187,859	69,634
2018	2,571	395	48,222	26,254	10,911	7,726	132,929	26,285	194,633	60,660
2019	2,658	308	48,676	23,601	11,511	7,126	138,875	20,339	201,720	51,374
2020	2,749	217	54,153	20,924	12,144	6,493	145,087	14,127	214,133	41,761
2021	2,843	123	54,657	17,946	12,812	5,825	151,577	7,637	221,889	31,531
2022	1,481	25	60,201	14,871	13,517	5,121	78,267	1,295	153,466	21,312
2023	-	-	65,775	11,485	14,260	4,377	-	-	80,035	15,862
2024	-	-	66,381	7,785	15,044	3,593	-	-	81,425	11,378
2025	-	-	72,021	4,051	15,872	2,766	-	-	87,893	6,817
2026	-	-	-	-	16,745	1,893	-	-	16,745	1,893
2027	-	-	-	-	17,666	972	-	-	17,666	972
	<u>\$ 23,935</u>	<u>\$ 4,265</u>	<u>\$ 680,200</u>	<u>\$ 294,161</u>	<u>\$ 187,074</u>	<u>\$ 92,485</u>	<u>\$ 1,230,727</u>	<u>\$ 281,761</u>	<u>\$ 2,121,936</u>	<u>\$ 672,672</u>

THIS PAGE INTENTIONALLY LEFT BLANK



STATISTICAL SECTION

THIS PAGE INTENTIONALLY LEFT BLANK



CITY OF SISTERS, OREGON
Net Assets By Component
Last Nine Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities:									
Invested in capital assets, net of related debt	\$ 5,253	\$ 4,599	\$ 4,738	\$ 2,748	\$ 2,185	\$ 1,646	\$ 1,256	\$ 1,652	\$ 1,258
Restricted	1,111	1,071	926	922	841	-	-	-	1,432
Unrestricted	2,390	2,509	2,863	3,442	3,814	2,986	3,960	2,397	943
Total governmental activities net assets	<u>\$ 8,754</u>	<u>\$ 8,179</u>	<u>\$ 8,527</u>	<u>\$ 7,112</u>	<u>\$ 6,840</u>	<u>\$ 4,632</u>	<u>\$ 5,216</u>	<u>\$ 4,049</u>	<u>\$ 3,633</u>
Business-Type Activities:									
Invested in capital assets, net of related debt	\$ 14,107	\$ 14,262	\$ 13,532	\$ 13,793	\$ 14,025	\$ 10,534	\$ 9,822	\$ 8,766	\$ 8,839
Restricted	1,433	1,479	1,684	2,107	2,069	1,029	4,309	3,355	96
Unrestricted	499	574	826	1,307	1,333	1,660	1,665	1,563	4,090
Total business-type activities net assets	<u>\$ 16,039</u>	<u>\$ 16,315</u>	<u>\$ 16,042</u>	<u>\$ 17,207</u>	<u>\$ 17,427</u>	<u>\$ 13,223</u>	<u>\$ 15,796</u>	<u>\$ 13,684</u>	<u>\$ 13,025</u>
Primary Government:									
Invested in capital assets, net of related debt	\$ 19,360	\$ 18,861	\$ 18,270	\$ 16,541	\$ 16,211	\$ 12,180	\$ 11,078	\$ 10,418	\$ 10,097
Restricted	2,544	2,550	2,610	3,029	2,911	1,029	4,309	3,355	1,528
Unrestricted	2,889	3,083	3,689	4,749	5,147	4,646	5,625	3,960	5,033
Total primary government net assets	<u>\$ 24,793</u>	<u>\$ 24,494</u>	<u>\$ 24,569</u>	<u>\$ 24,319</u>	<u>\$ 24,269</u>	<u>\$ 17,855</u>	<u>\$ 21,012</u>	<u>\$ 17,733</u>	<u>\$ 16,658</u>

CITY OF SISTERS, OREGON
Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Program Revenues									
Governmental activities:									
Charges for services, fees and fines									
General government	\$ 210	\$ 181	\$ 194	\$ 259	\$ 443	\$ 559	\$ 546	\$ 318	\$ 221
Public safety	-	-	-	-	-	273	10	10	8
Culture and recreation	115	127	103	59	60	163	32	25	55
Community Development	-	-	-	-	-	-	-	-	-
Highways and streets	82	65	79	46	41	131	21	6	119
Operating grants and contributions	293	402	168	76	133	70	64	8	30
Capital grants and contributions	401	76	730	385	696	-	47	63	-
Total governmental activities program revenues	<u>1,101</u>	<u>851</u>	<u>1,274</u>	<u>825</u>	<u>1,373</u>	<u>1,196</u>	<u>720</u>	<u>430</u>	<u>433</u>
Business-type activities:									
Charges for services:									
Water	513	487	474	426	441	488	406	351	588
Refuse	-	-	0	104	410	420	388	355	351
Sewer	774	750	717	798	754	978	888	803	1,202
Operating grants	-	4	4	10	-	-	-	-	-
Capital grants	164	160	97	179	759	652	892	626	-
Total business-type activities program revenues	<u>1,451</u>	<u>1,401</u>	<u>1,292</u>	<u>1,517</u>	<u>2,364</u>	<u>2,538</u>	<u>2,574</u>	<u>2,135</u>	<u>2,141</u>
Total primary government program revenues	<u>2,552</u>	<u>2,252</u>	<u>2,566</u>	<u>2,342</u>	<u>3,737</u>	<u>3,734</u>	<u>3,294</u>	<u>2,565</u>	<u>2,574</u>
Expenses:									
Governmental activities:									
General government	1,007	1,094	1,099	1,127	1,155	820	1,393	634	540
Public safety	450	433	416	400	393	400	374	351	312
City Hall Remodel	-	-	-	-	-	1,164	128	-	-
Culture and recreation	186	210	199	175	161	125	105	145	80
Community development	4	3	5	5	24	-	-	-	-
Highways and streets	403	420	377	399	423	93	148	104	122
Interest on long term obligations	70	80	90	104	92	72	12	-	-
Depreciation	-	-	-	-	-	-	-	-	85
Total governmental activities expenses	<u>2,120</u>	<u>2,240</u>	<u>2,186</u>	<u>2,210</u>	<u>2,248</u>	<u>2,674</u>	<u>2,160</u>	<u>1,234</u>	<u>1,139</u>
Business-type activities:									
Water	593	623	574	578	540	533	434	342	341
Refuse	-	-	-	65	437	281	329	303	293
Sewer	1,090	1,076	1,098	1,085	1,032	4,625	889	823	842
Total business-type activities expenses	<u>1,683</u>	<u>1,699</u>	<u>1,672</u>	<u>1,728</u>	<u>2,009</u>	<u>5,439</u>	<u>1,652</u>	<u>1,468</u>	<u>1,476</u>
Total primary government expenses	<u>3,803</u>	<u>3,939</u>	<u>3,858</u>	<u>3,938</u>	<u>4,257</u>	<u>8,113</u>	<u>3,812</u>	<u>2,702</u>	<u>2,615</u>
Net Expense									
Governmental activities	(1,019)	(1,389)	(912)	(1,385)	(875)	(1,478)	(1,440)	(804)	(706)
Business-type activities	(232)	(298)	(380)	(211)	355	(2,901)	922	667	665
Total primary government net expense	<u>\$ (1,251)</u>	<u>\$ (1,687)</u>	<u>\$ (1,292)</u>	<u>\$ (1,596)</u>	<u>\$ (520)</u>	<u>\$ (4,379)</u>	<u>\$ (518)</u>	<u>\$ (137)</u>	<u>\$ (41)</u>

CITY OF SISTERS, OREGON
Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Revenues and Other Changes in Net Assets									
General revenues:									
Property taxes levied for:									
General purposes	\$ 762	\$ 771	\$ 764	\$ 736	\$ 681	\$ 692	\$ 602	\$ 483	\$ 424
Debt service	132	172	134	133	108	176	-	-	-
Franchise and public service taxes	608	614	573	583	566	29	734	567	488
Interest and investment earnings	25	28	41	112	192	-	183	52	28
Miscellaneous	10	14	5	3	8	49	-	28	5
Contributed Revenue	-	-	-	-	-	-	539	-	-
Gain on disposal of asset	-	-	-	-	-	-	467	(23)	-
Transfers	57	(558)	810	90	4	(51)	81	112	116
Total governmental activities	<u>1,594</u>	<u>1,041</u>	<u>2,327</u>	<u>1,657</u>	<u>1,559</u>	<u>895</u>	<u>2,606</u>	<u>1,219</u>	<u>1,061</u>
Business-type activities:									
Contributed Revenue	-	-	-	-	-	-	1,030	-	-
Interest and investment earnings	13	13	24	81	205	278	225	105	6
Miscellaneous	-	-	-	-	-	-	-	-	55
Transfers	(57)	558	(810)	(90)	(4)	51	(81)	(112)	(116)
Total business-type activities	<u>(44)</u>	<u>571</u>	<u>(786)</u>	<u>(9)</u>	<u>201</u>	<u>329</u>	<u>1,174</u>	<u>(7)</u>	<u>(55)</u>
Total primary government	<u>1,550</u>	<u>1,612</u>	<u>1,541</u>	<u>1,648</u>	<u>1,760</u>	<u>1,224</u>	<u>3,780</u>	<u>1,212</u>	<u>1,006</u>
Change in Net Assets									
Governmental activities	575	(348)	1,415	272	684	(583)	1,167	415	355
Business-type activities	(276)	273	(1,166)	(220)	556	(2,572)	2,097	660	610
Total primary government change in net assets	<u>299</u>	<u>(75)</u>	<u>249</u>	<u>52</u>	<u>1,240</u>	<u>(3,155)</u>	<u>3,264</u>	<u>1,075</u>	<u>965</u>
Net Assets Beginning									
Governmental activities	8,179	8,527	7,112	6,841	6,157	5,215	4,049	3,633	3,279
Business-type activities	16,315	16,042	17,207	17,427	16,870	15,796	13,699	13,026	12,416
Total primary government net assets-beginning	<u>24,494</u>	<u>24,569</u>	<u>24,319</u>	<u>24,268</u>	<u>23,027</u>	<u>21,011</u>	<u>17,748</u>	<u>16,659</u>	<u>15,695</u>
Net Assets Ending									
Governmental activities	8,754	8,179	8,527	7,113	6,841	4,632	5,216	4,048	3,633
Business-type activities	16,039	16,315	16,042	17,207	17,427	13,224	15,796	13,686	13,026
Total Primary Government Net Assets	<u>\$ 24,793</u>	<u>\$ 24,494</u>	<u>\$ 24,569</u>	<u>\$ 24,320</u>	<u>\$ 24,268</u>	<u>\$ 17,856</u>	<u>\$ 21,012</u>	<u>\$ 17,734</u>	<u>\$ 16,659</u>

*2008 governmental & business activities included a prior period adjustment of \$1,525,233 and \$3,647,195 for the capitalization of infrastructure.

**2007 business activities included a prior period adjustment of \$15,000.

CITY OF SISTERS, OREGON
Fund Balances, Governmental Funds
Last Nine Fiscal Years ¹
(modified accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Combined General Fund									
Advance to Other Funds	\$ 55,000	\$ 75,000	\$ 150,000	\$ 200,000	\$ 350,000	\$ -	\$ -	\$ -	\$ -
Restricted	14,848	30,444	-	-	-	-	-	-	-
Assigned for Police, Capital & Reserved	1,388,811	1,401,719	-	-	-	-	-	-	-
Unassigned	891,220	664,780	624,755	1,375,521	1,556,021	1,246,149	894,317	1,073,060	952,308
Total general fund	<u>2,349,879</u>	<u>2,171,943</u>	<u>774,755</u>	<u>1,575,521</u>	<u>1,906,021</u>	<u>1,246,149</u>	<u>894,317</u>	<u>1,073,060</u>	<u>952,308</u>
All Other Governmental Funds									
Restricted: Debit Service	368,942	394,366	311,646	368,628	318,913	-	-	-	-
Sys Dev, Paths, Streets	726,905	852,990	614,378	553,496	522,480	-	-	-	-
Unreserved/Unassigned	-	-	2,034,392	1,802,921	1,885,641	1,747,383	3,069,989	1,321,264	1,132,243
Total all other governmental funds	<u>1,095,847</u>	<u>1,247,356</u>	<u>2,960,416</u>	<u>2,725,045</u>	<u>2,727,034</u>	<u>1,747,383</u>	<u>3,069,989</u>	<u>1,321,264</u>	<u>1,132,243</u>
Total governmental funds	<u>\$3,445,726</u>	<u>\$3,419,299</u>	<u>\$3,735,171</u>	<u>\$4,300,566</u>	<u>\$4,633,055</u>	<u>\$2,993,532</u>	<u>\$ 3,964,306</u>	<u>\$2,394,324</u>	<u>\$ 2,084,551</u>

¹ Information is present for years ended subsequent to the implementation of GASB 34.

The City implemented GASB 54 in the 2011 fiscal year and the Reserve Fund was combined with the General Fund for external reporting. Information on the new fund balance categories is shown on a prospective basis.

CITY OF SISTERS, OREGON
Changes in Fund Balances, Governmental Funds
Last Nine Fiscal Years ¹
(modified accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues									
Property taxes	\$ 903,370	\$ 943,503	\$ 897,651	\$ 837,575	\$ 769,080	\$ 683,384	\$ 606,245	\$ 539,658	\$ 480,935
Other taxes	444,425	427,723	306,332	280,279	267,551	-	-	-	-
Intergovernmental	635,413	274,320	398,297	119,346	215,523	123,094	325,737	202,082	208,958
Franchise Fees	260,103	267,291	249,422	254,122	243,443	-	-	-	-
Licenses and Fines	353,217	331,457	339,994	317,995	496,846	1,125,644	1,106,255	651,118	637,197
Fines and forfeitures	1,766	1,338	1,828	2,729	4,728	-	10,592	10,477	8,175
System development charges	55,914	21,722	13,609	123,427	445,324	-	-	-	-
Charges for services	24,700	18,600	18,600	22,475	27,900	-	-	-	-
Rental income	9,000	12,161	15,000	15,000	14,300	-	-	59,089	-
Interest on Investments	24,693	27,947	41,231	112,536	192,082	175,708	183,335	51,630	28,474
Miscellaneous Revenues	28,881	19,555	8,225	9,244	57,019	25,116	11,537	32,691	14,046
Total revenues	2,741,482	2,345,617	2,290,189	2,094,728	2,733,798	2,132,946	2,243,701	1,546,745	1,377,785
Expenditures									
Current:									
General Government	900,854	953,851	940,768	952,762	984,572	867,682	1,356,497	591,953	536,799
Public safety	449,961	432,655	416,015	400,014	393,255	374,529	356,694	327,290	311,705
Culture and recreation	180,366	207,409	194,673	170,978	156,967	117,164	100,072	135,058	80,614
Community development	3,687	3,269	5,254	4,863	24,338	-	-	-	-
Highways and streets	288,713	310,693	293,712	358,486	323,388	86,650	140,656	97,192	113,491
Capital outlay	721,494	577,860	1,016,692	388,121	447,065	1,468,171	644,210	197,879	438,403
Debt service									
Principal	156,466	149,787	143,397	137,055	75,306	71,857	11,095	-	-
Interest	70,506	80,785	90,975	104,942	89,394	66,667	10,453	-	-
Total expenditures	2,772,047	2,716,309	3,101,486	2,517,221	2,494,285	3,052,720	2,619,677	1,349,372	1,481,012
Revenues over (under) expenditures	(30,565)	(370,692)	(811,297)	(422,493)	239,513	(919,774)	(375,976)	197,373	(103,227)
Other Financing Sources (Uses)									
Issuance of debt	-	-	-	-	700,000	-	1,398,100	-	-
Sale of fixed assets	-	3,905	-	-	-	-	466,859	-	-
Operating transfers in	213,600	209,000	1,395,064	740,610	737,000	288,000	243,634	220,000	378,593
Operating transfers out	(156,600)	(154,000)	(1,149,162)	(650,610)	(710,000)	(339,000)	(162,634)	(107,600)	(262,593)
Total other financing sources (uses)	57,000	58,905	245,902	90,000	727,000	(51,000)	1,945,959	112,400	116,000
Net change in fund balances	\$ 26,435	\$ (311,787)	\$ (565,395)	\$ (332,493)	\$ 966,513	\$ (970,774)	\$ 1,569,983	\$ 309,773	\$ 12,773
Debt service as a percentage of noncapital expenditures	12.4%	12.1%	12.7%	12.8%	8.7%	9.6	1.1	0.0%	0.0%

¹ Information is presented for years ended subsequent to the implementation of GASB 34.

CITY OF SISTERS, OREGON
 Program Revenues by Function/Program
 Last Nine Fiscal Years
 (accrual basis of accounting)

Function/Program	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities									
General government	\$ 215,851	\$ 268,158	\$ 199,438	\$ 512,754	\$ 445,436	\$ 558,873	\$ 609,247	\$ 319,410	\$ 220,674
Public safety	26,606	61,895	21,937	-	54,128	272,820	10,592	10,477	8,175
Culture and recreation	119,136	173,098	134,355	71,093	76,037	162,877	54,803	47,577	55,211
Highways and streets	739,693	348,244	918,012	241,048	796,856	201,258	45,587	53,555	148,843
Total governmental activities	1,101,286	851,395	1,273,742	824,895	1,372,457	1,195,828	720,229	431,019	432,903
Business-type activities									
Water	585,906	565,795	510,978	517,862	838,823	751,160	834,065	657,497	588,006
Refuse	-	-	26	104,281	409,935	419,849	387,956	354,644	350,700
Sewer	865,237	835,719	781,428	894,319	1,115,776	1,366,522	1,352,003	1,122,073	1,201,704
Total business-type activities	1,451,143	1,401,514	1,292,432	1,516,462	2,364,534	2,537,531	2,574,024	2,134,214	2,140,410
Total Primary government	\$ 2,552,429	\$ 2,252,909	\$ 2,566,174	\$ 2,341,357	\$ 3,736,991	\$ 3,733,359	\$ 3,294,253	\$ 2,565,233	\$ 2,573,313

CITY OF SISTERS, OREGON
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

<u>Year</u>	<u>General Fund Property Taxes</u>	<u>Transient Room Taxes</u>
2003	368,319	155,102
2004	423,963	152,066
2005	469,056	185,604
2006	535,374	212,930
2007	603,733	223,532
2008	666,430	267,551
2009	709,934	280,279
2010	763,768	270,219
2011	773,030	292,588
2012	769,256	307,575

CITY OF SISTERS, OREGON
Assessed Valuation and Actual Values of Taxable Property *
Last Ten Fiscal Years

Fiscal Year Ended December 31	Real Property	Manufactured Structures	Personal Property	Public Utility	Total Taxable Assessed Value	Total Direct Tax Rate	Measure 5 Real Market Value (RMV)
2003	152,539,646	101,586	6,264,343	4,127,619	163,033,194	2.6417	225,353,081
2004	174,989,645	142,460	6,733,101	4,027,000	185,892,206	2.6417	262,193,635
2005	200,318,254	176,090	6,956,565	3,199,100	210,650,009	2.6417	320,811,827
2006	230,681,761	196,740	7,764,154	3,101,400	241,744,055	2.6417	416,131,125
2007	259,662,042	269,090	8,627,120	2,647,400	271,205,652	2.6417	586,314,650
2008	279,355,466	202,480	8,390,970	2,834,900	290,783,816	2.6417	641,825,525
2009	293,239,921	196,270	9,595,580	2,310,100	305,341,871	2.6417	518,138,455
2010	299,029,708	159,640	8,986,640	2,858,400	311,034,388	2.6417	451,070,086
2011	294,195,678	178,990	8,188,750	2,843,630	305,407,048	2.6417	393,299,238
2012	301,988,249	171,390	7,728,030	2,474,000	312,361,669	2.6417	386,590,358

CITY OF SISTERS, OREGON
Property Tax Rates - Direct and Overlapping Governments
(Per \$1,000 of Assessed Valuation)
Last Ten Fiscal Years

Fiscal Year	City of Sisters*			Overlapping Rates					Total Direct & Overlapping Rates
	General Fund	Urban Renewal	Total	Deschutes County	School ₁ District #6	COCC ₂	SPRD ₃	Camp Sherman Fire Dist	
2003	\$ 2.64	\$ -	\$ 2.64	\$ 3.17	\$ 6.84	\$ 0.74	\$ 0.22	\$ 2.73	\$ 16.34
2004	2.64	0.00	2.64	3.23	6.73	0.73	0.22	2.73	16.28
2005	2.58	0.34	2.92	3.20	6.61	0.71	0.22	2.67	16.33
2006	2.57	0.39	2.96	3.18	6.60	0.70	0.21	2.66	16.31
2007	2.58	0.33	2.91	3.15	6.53	0.70	0.21	2.67	16.17
2008	2.57	0.41	2.98	3.14	6.41	0.69	0.21	2.97	16.40
2009	2.56	0.47	3.03	3.37	6.36	0.69	0.21	2.88	16.54
2010	2.56	0.45	3.01	3.32	6.30	0.71	0.21	2.86	16.41
2011	2.56	0.45	3.01	3.34	5.86	0.73	0.21	2.89	16.04
2012	2.53	0.63	3.16	3.32	5.76	0.73	0.21	2.84	16.02

*The table reflects permanent rates that were levied each fiscal year by the entity identified

₁ School District #6 includes Sisters School District and Education Service District (ESD)

₂ COCC - Central Oregon Community College

₃ SPRD - Sisters Parks and Recreation District

CITY OF SISTERS, OREGON
Property Tax Levies and Collections
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year Ended June 30,	Tax Levy for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	378,460	319,519	84.43%	58,930	378,449	100.00%
2004	432,665	407,181	94.11%	25,473	432,654	100.00%
2005	544,880	513,917	94.32%	30,928	544,845	99.99%
2006	626,751	597,065	95.26%	29,634	626,699	99.99%
2007	710,141	664,595	93.59%	45,438	710,033	99.98%
2008	807,122	753,572	93.37%	53,074	806,646	99.94%
2009	879,759	806,487	91.67%	68,949	875,436	99.51%
2010	920,414	851,565	92.52%	58,747	910,312	98.90%
2011	968,063	901,769	93.15%	23,824	925,593	95.61%
2012	918,015	862,038	93.90%	-	862,038	93.90%

Source: Current and prior years' financial statements
and Deschutes County, Assessor's Office

CITY OF SISTERS, OREGON
Principal Taxpayers
City of Sisters
January 1, 2012 and December 31, 2002

January 1, 2012

Taxpayer	Real Property		Rank	Percentage of Total Assessed Valuation
	Assessed Valuation			
SISTERS CORPORATION	\$ 7,760,220		1	2.49%
3 SISTERS PARTNERS LLC	4,485,690		2	1.44%
BEST WESTERN PONDEROSA LODGE INC	4,074,220		3	1.31%
SISTERS COMMERCIAL II LLC,	3,095,350		4	0.99%
THREEWIND ASSOCIATES L L C	3,088,280		5	0.99%
WILLITTS LLC	3,080,480		6	0.99%
CARPENTER, RICHARDL & JELINDA S	2,124,960		7	0.68%
JAQUA, STEPHEN C	2,047,580		8	0.66%
FIVE PINE LLC,	1,979,470		9	0.63%
TEHAN, JOHN & PEGGY	1,536,600		10	0.49%
	<u>\$ 33,272,850</u>			
Total Assessed Valuation	<u>\$ 311,781,487</u>			

December 31, 2002

Taxpayer	Real Property		Rank	Percentage of Total Assessed Valuation
	Assessed Valuation			
N/A	N/A		1	N/A
N/A	N/A		2	N/A
N/A	N/A		3	N/A
N/A	N/A		4	N/A
N/A	N/A		5	N/A
N/A	N/A		6	N/A
N/A	N/A		7	N/A
N/A	N/A		8	N/A
N/A	N/A		9	N/A
N/A	N/A		10	N/A
	<u>\$ -</u>			
Total Assessed Valuation (estimated)	<u>N/A</u>			

N/A - Information at City level not available.

**CITY OF SISTERS,
OREGON
Ratios of Outstanding Debt By Type
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities		Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Loans Payable	Revenue Bonds	Loans Payable			
2003	-	-	5,598,857	1,224,917	6,823,774	0.1572	1,430
2004	-	-	5,540,256	1,194,198	6,734,454	0.1425	1,490
2005	-	-	5,442,992	1,162,935	6,605,927	0.1203	1,660
2006	1,388,905	-	5,382,072	1,132,096	7,903,073	0.1274	1,745
2007	1,317,048	-	5,311,789	2,799,952	9,428,789	0.1409	1,825
2008	1,941,742	-	5,188,442	2,674,754	9,804,938	0.1412	1,875
2009	1,804,688	-	5,111,691	2,546,339	9,462,718	0.1367	1,925
2010	1,661,292	-	5,031,486	2,413,225	9,106,003	N/A	1,925
2011	1,511,504	-	4,947,672	2,270,157	8,729,333	N/A	2,038
2012	1,355,039	-	4,860,086	2,121,936	8,337,061	N/A	2,055

N/A - Information at City level not available.

Source: Current and prior years' financial Statements, Department of Commerce- Bureau of Economic Analysis, Center for Population Research and Census at Portland State University.

CITY OF SISTERS, OREGON
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Population	General Obligation Bonds	Total Taxable Assessed Value (000)'s	Percentage of Debt to Value of Property	Net Bonded Debt Per Capita Value (000)'s
2003	1,430	-	163,033	0.00%	0
2004	1,490	-	185,892	0.00%	0
2005	1,660	-	210,650	0.00%	0
2006	1,745	1,388,905	241,744	0.57%	796
2007	1,825	1,317,048	271,206	0.49%	722
2008	1,875	1,941,742	290,784	0.67%	1,036
2009	1,925	1,804,688	305,342	0.59%	938
2010	1,925	1,661,292	311,034	0.53%	863
2011	2,038	1,511,504	305,407	0.49%	742
2012	2,055	1,355,039	312,362	0.43%	659

Source: Current and prior years' financial statements, Deschutes County, Assessor's Office, and Center for Population Research and Census at Portland State University

CITY OF SISTERS, OREGON
Legal Debt Margin Information
Last Ten fiscal Years
(unaudited)

ORS 287.004 provides a debt limit on general obligation bonds of 3% of the real market value of all taxable property within the City's boundaries.

	2012	2011	2010	2009
Real market value	\$ 386,590,358	\$ 393,299,238	\$ 451,070,086	\$ 518,138,455
Debt limit rate	3%	3%	3%	3%
Debt limit	11,597,711	11,798,977	13,532,103	15,544,154
Less general bonded debt June 30,	1,355,039	1,511,504	1,661,292	1,804,688
Legal debt margin	<u>\$ 10,242,672</u>	<u>\$ 10,287,473</u>	<u>\$ 11,870,811</u>	<u>\$ 13,739,466</u>
 Total net bonded debt applicable to the limit as a percentage of debt limit	 0.35%	 0.38%	 0.37%	 0.35%

CITY OF SISTERS, OREGON
Legal Debt Margin Information
Last Ten fiscal Years
(unaudited)

2008	2007	2006	2005	2004	2003
<u>\$ 641,825,525</u>	<u>\$ 586,314,650</u>	<u>\$ 416,131,125</u>	<u>\$ 320,811,827</u>	<u>\$ 262,193,635</u>	<u>\$ 225,353,081</u>
3%	3%	3%	3%	3%	3%
<u>19,254,766</u>	<u>17,589,440</u>	<u>12,483,934</u>	<u>9,624,355</u>	<u>7,865,809</u>	<u>6,760,592</u>
<u>1,941,742</u>	<u>1,317,048</u>	<u>1,388,905</u>	-	-	-
<u><u>\$ 17,313,024</u></u>	<u><u>\$ 16,272,392</u></u>	<u><u>\$ 11,095,029</u></u>	<u><u>\$ 9,624,355</u></u>	<u><u>\$ 7,865,809</u></u>	<u><u>\$ 6,760,592</u></u>
0.30%	0.22%	0.33%	0.00%	0.00%	0.00%

CITY OF SISTERS, OREGON
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population¹	Personal Income²	Per Capita Personal Income³	School Enrollment⁴	Unemployment Rate⁵
2003	1,430	43,407,650	30,355	1,193	8.00%
2004	1,490	47,262,800	31,720	1,299	6.50%
2005	1,660	54,917,780	33,083	1,329	5.50%
2006	1,745	62,024,280	35,544	1,436	4.30%
2007	1,825	66,895,375	36,655	1,332	4.40%
2008	1,875	69,429,375	37,029	1,303	6.90%
2009	1,925	69,234,550	35,966	1,306	14.70%
2010	1,935	N/A	N/A	1,296	13.60%
2011	2,038	N/A	N/A	1,218	12.20%
2012	2,055	N/A	N/A	1,155	12.20%

Data Sources

- ¹ Center for Population Research and Census, Portland State University
- ² Estimation; Calculated, Population multiplied by Per Capita Personal Income
- ³ Per Capita Income as reported by Worksource, Oregon Employment Department
- ⁴ Sisters School District #6
- ⁵ Unemployment Rate is at the Deschutes County level.

N/A: Data was not available for this year

**CITY OF SISTERS, OREGON
Principal Employers
Current Year and Nine Years Ago**

2011-12		
Employer	Employees	Rank
Sisters School District	152	1
USFS(Sisters Ranger District)	80	2
Ray's Food Place	66	3
Three Creeks Brewing	46	4
Sisters Athletic Club	37	5
Bimart	31	6
	412	

2001-02

Information for 2001-02 is not readily available.

Total employment and each employer's percentage is not available.

CITY OF SISTERS, OREGON
Full Time Equivalent City Employees
by Function/Program
Last Nine Fiscal Years

Function/Program	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities:									
General government	2.62	2.49	2.30	1.50	1.70	1.40	1.40	1.20	N/A
Culture and recreation	1.51	1.04	1.30	1.00	0.90	0.80	1.30	0.60	N/A
Community development	0.85	1.03	2.00	2.00	1.50	1.40	1.30	0.70	N/A
Streets and highways	1.91	1.11	1.20	1.10	1.10	1.20	1.10	0.80	N/A
Total governmental activities	6.89	5.67	6.80	5.60	5.20	4.80	5.10	3.30	-
Business-type activities:									
Water	2.09	2.50	2.50	2.40	2.00	1.70	2.60	1.70	N/A
Sewer	2.02	2.83	3.20	2.30	1.80	1.40	1.40	1.10	N/A
Refuse	-	-	-	2.20	2.00	2.10	1.90	1.90	N/A
Total business-type activities	4.11	5.33	5.70	6.90	5.80	5.20	5.90	4.70	-
Total primary government budgeted FTE	11.00	11.00	12.50	12.50	11.00	10.00	11.00	8.00	-
City of Sisters									
Management and exempt	6.00	6.00	7.00	6.00	6.00	4.00	3.00	3.00	N/A
Temporary employees	0.50	0.50	0.50	0.50	0.33	0.33	0.33	0.33	N/A
Total Employees	17.50	17.50	20.00	19.00	17.33	14.33	14.33	11.33	N/A

N/A: Data was not available for this year.

CITY OF SISTERS, OREGON
 Operating Indicators by Function/Program
 Last Nine Fiscal years

FUNCTION/PROGRAM	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities:									
Street									
Street miles	28.2	28.2	19	19	19	18	17.5	17	16.5
Street resurfing miles	2	2	1.5	1.5	0.5	0.5	0	0	0
Culture and recreation									
Parks	7	7	7	7	7	7	7	7	7
Special event permits issued	54	52	47	47	34	32	29	32	28
Public Safety									
Calls for service	N/A	N/A	784	784	967	N/A	N/A	N/A	N/A
Number of arrests	N/A	N/A	115	115	186	N/A	N/A	N/A	N/A
Business-type Activities:									
Water									
Water mains (miles)	33.5	33.5	33.5	33.5	33.5	33	32	31.4	31
Average daily water consumption** (CF)	71,275	68,244	73,641	73,641	73,752	75,591	64,004	64,473	75,506
Sewer									
Sanitary sewers (miles)	23	23	23	23	23	23	22.5	22	21.5
Maximum daily treatment capacity	396,000 gpd								
Average daily sewer treatment	194,000 gpd	182,000 gpd	168,000 gpd	168,000 gpd	168,000 gpd	160,000 gpd	150,000 gpd	140,000 gpd	130,000 gpd

N/A: Data was not available for this year.

(1) Police statistics are for the calendar year.

(2) In 1,000 gallons

N/A: Data was not available for this year.

CITY OF
SISTERS, OREGON
Capital Asset and Infrastructure Statistics by Function/Program
Last Nine Fiscal Years

FUNCTION/PROGRAM	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities									
General Government									
Buildings owned-all structures	18	19	18	18	18	17	16	16	16
Vehicles/Equip (i.e. trailers, mowers)	5	5	5	5	5	5	4	4	4
Vehicles (i.e. cars & pick ups)-excluding police	15	15	15	15	15	15	14	14	14
Vehicles (i.e. dump trucks & bucket trucks)-excluding fire	1	1	1	1	5	5	5	5	5
Heavy Equipment (i.e. CAT, grader, etc.)	8	7	7	7	7	7	5	5	5
Streets and Highways									
Miles of streets maintained by City:									
Paved	26.5	26.5	18.5	18.5	18.5	17.5	17.0	16.5	16.0
Unpaved	1.5	1.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Bridges and underpasses	3	3	3	3	2	2	2	2	2
Business-type Activities									
Water									
Reservoirs	1	1	1	1	1	1	1	1	1
Wells	3	3	3	3	3	3	2	2	2
Wastewater									
Treatment plant	1	1	1	1	1	1	1	1	1
Lift Stations	4	4	4	4	4	4	3	3	3

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

THIS PAGE INTENTIONALLY LEFT BLANK



Independent Auditor's Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of Sisters as of and for the year ended June 30, 2012, and have issued our report thereon dated November 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Sisters financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the City of Sisters was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

The City adopted a supplemental budget to adjust for the interfund loan of \$74,600 made from the General fund to Urban Renewal Project fund. However, the City adjusted the expenditure side of the entry but not the revenue. This resulted imbalance in interfund transfers and it is considered an exception to Oregon Budget Law.

Expenditures exceeded appropriations for the 2011-2012 budget in the following amount:

General Fund:	
Support Services	\$ <u>19,034</u>

For the 2012-2013 budget, several non-operating funds were appropriated with operating contingency when only operating funds are allowed one appropriation for a general operating contingency according Oregon Budget Law.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the City of Sisters internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sisters internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sisters internal control over financial reporting.

We noted certain matters that we reported to management of City of Sisters, Oregon, in a separate letter dated November 2, 2012.

This report is intended solely for the information and use of the board of directors/council members/commissioners and management of City of Sisters and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Dickey and Tremper, LLP

Dickey and Tremper, LLP

November 2, 2012



Dickey and Tremper, LLP
Certified Public Accountants and Business Advisors

110 SE First Street
P.O. Box 1533
Pendleton, OR 97801
Phone: (541) 276-6862
Toll Free: 1-800-332-6862
Fax: (541) 276-9040
Web: www.dickeyandtremper.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

November 2, 2012

To the Honorable Mayor and
Members of the City Council
City of Sisters, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sisters, Oregon, as of and for the year ended June 30, 2012 which collectively comprise the City of Sisters, Oregon's basic financial statements and have issued our report thereon dated November 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of City of Sisters, Oregon, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Sisters, Oregon's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Sisters, Oregon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sisters, Oregon's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Sisters, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of City of Sisters, Oregon, in a separate letter dated November 2, 2012.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dickey and Tremper, LLP

Dickey and Tremper, LLP
Certified Public Accountants